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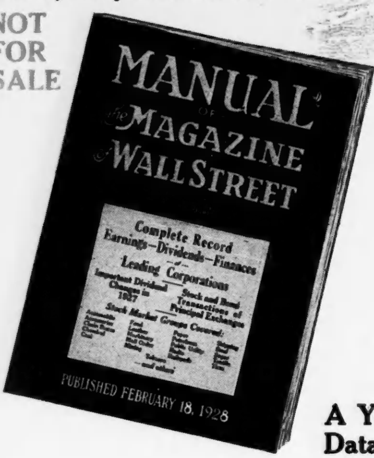

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By publishing this Manual in February it is possible for us to include the Annual Reports of a large number of corporations as well as preliminary annual statements. This book will be of tremendous help to every business man and investor throughout the coming year in making their investment and trading selections. Among other important features are:

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Stock Market Review,
by E. D. King.

Comparison of earnings of all leading companies for several years back.
New Stock Listings.
Stock Market Range for 1927.
Dividend Changes in 1927.
Bond Market in 1927.
Bond Market Range for 1927.
Curb Market.

BONDS—

Bond Financing.
Review of Unlisted Bonds.

DOMESTIC TRADE AND BUSINESS—

Business Review Covering the General Situation.

Important Money Changes.
Commodities, Including Price Fluctuations in 1927.
Record of Production in Leading Commodities.
Corporation and Government Financing in 1927.

SECURITIES—

Earnings and Financial Position, with Charts and Tables.

Railroads	**Accessories**	**Textiles**	**Tires**	**Radio**
Public Utilities	**Automobiles**	**Mining**	**Paper**	**Curb**
Food and Packing	**Chemicals**	**Steel**	**Sugar**	
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One hundred tables and charts illustrating basic conditions in each industry and fully detailed tables giving leading companies' earnings, financial position, etc., over a period of years. The charts and tables in this year's Manual are especially important, as 1927 is added, thus giving you the statistical data over the last few years. Practically every company of importance, whether listed or unlisted, is included. The data gives the investor a complete record of the growth or decline of practically every leading corporation, which will enable him to determine the real trend of the company's affairs.

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WITH THE EDITORS

An Investor's Resolution for 1928

1—I Will not buy securities impulsively, on tips of well-meaning friends or so-called inside information.

2—My security holdings will always contain a substantial percentage of sound bonds.

3—Any stocks I retain among my permanent holdings must be of investment calibre.

4—I Will not confuse my investments with my speculations. I will see to it that at least 75% of my total security holdings belong in the investment class.

5—If I hold any speculative securities, it will be with the understanding that they are not permanent but to be watched closely and disposed of if their outlook becomes uncertain.

6—I Will attempt a reasonable degree of diversification in my security holdings, a sufficient number of different types to distribute the risk and not so many that I shall find it difficult to watch them.

7—In my more speculative undertakings, I shall not hesitate to accept a small loss if necessary but if I purchase an investment security I shall not permit small fluctuations to influence me.

8—I Shall pay more attention to the financial stability and earning power of the companies in which I invest than in their dividend rates.

9—I Shall never dispose of investment holdings to purchase speculative securities.

10—In all cases when I purchase stocks they shall represent companies in a position to grow over a period of years, and thus assure steady growth in the value of my investment.

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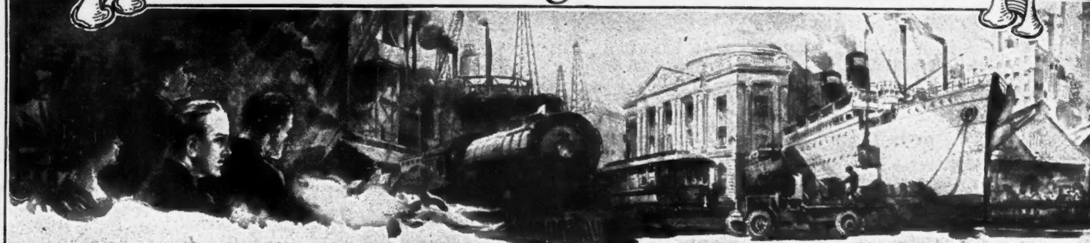


C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

The Decline in Railway Earnings—Chain Store Growth—Changes in Steel Corporation—Petroleum Shares Erratic—The Market Prospect

BASED on the November earnings reports of sixty-eight leading carriers, there was a decline of 22.9% in net railway operating income as compared with the same month of 1926. While a decline had been expected, actual results surpassed original expectations in respect to magnitude of decrease. Gross revenues dropped 10.9%. This showing is particularly interesting in regard to the picture it makes of general business conditions during the period under discussion. It is apparent that business volume during November and, in fact, during several of the preceding months had shrunk very considerably and, as such, the result is likely to be marked by some very disappointing fourth quarter industrial reports. Railway earnings reports for December are not expected to show any such proportion of decline as in November and it is likely that the January returns will commence to reflect general improvement in business. One of the interesting developments, as indicated by the November reports, was the distinct contrast between conditions on the Northwestern carriers and those in many other parts of the country. The Northwestern roads turned in exceptionally good reports and their prospects may be considered among the brightest of any group.

CHAIN STORE GROWTH

IN a recent address, Mr. Edward A. Filene, the Boston department store owner, declared that in the future department store chains would grow to a point in size rivalling such corporations as United States Steel and General Motors. This conclusion does not seem far-fetched. One of the most interesting developments in American business during the past year has been the extension of the chain store idea to department stores. As a result, there are now a number of such chains operating in various parts of the country. These systems are still in their infancy but as they add new stores and expand old ones, it seems entirely probable that they will do an enormous business. Operating economies and savings in purchases in addition to the growing preference of the public for department store shopping lends an element of unusual interest to the financial future of these companies. Investors might do much worse than to invest in the shares of enterprises of this nature. In the very nature of things, these companies are bound to expand their earnings and, consequently, their shares will grow proportionately in value. As long-term investments, they rank with the best industrial enterprises.

U. S. STEEL

ANNOUNCEMENT that Mr. J. P. Morgan had been elected to serve as Chairman to take the place of the deceased Judge Gary has furnished the basis for speculation as to whether the corporation's hitherto ultra-conservative dividend policies might be modified in favor of more liberal action. It will be recalled that when the 40% stock

1907 Business, Financial and Investment Counselors "Over Twenty Years of Service" 1928

dividend was announced, it was stated by Judge Gary that this action was taken at the suggestion of Mr. Morgan. The Morgans, of course, are the bankers for the U. S. Steel Corporation and, as such, have always wielded a great influence on its fiscal policies. The Morgans are also the bankers for the General Motors Corporation and no one can say that this corporation's dividend policies have been niggardly. The impression among the general public is that now that Mr. Morgan is official Chairman of the corporation, as such he will pursue the traditional course of his banking firm in respect to favoring split-up of shares to facilitate purchases by small investors. The First National Bank, which also favors this policy in regard to companies of which it is banker, is also represented in the Steel Corporation through election of Mr. Taylor as Chairman of the Finance Committee of the corporation. With these two presumptive proponents of liberal dividend policies in control, it is the general assumption that the way has been cleared for eventual split-up of the Steel common shares. This hypothesis seems reasonable in view of the well-known dividend policies of these two leading banking firms. Of less direct though not less important value is the internal reorganization which is now going on in the Corporation with regard to progressive policies of management and, also, with regard to the improvements in technical administration. The Steel Corporation undoubtedly faces an era of great scientific achievement.

CONSTRUCTIVE WORK

WHEN our Research Department looked into the question of current business problems and the reason for the recent decline in the margin of profits in many lines of industry and business, we were astounded and interested to find that the Department of Commerce had collected unusually practical data of the most helpful character in line with the best economic practices.

It is well known that THE MAGAZINE OF WALL STREET does not assume a partisan stand where the special interest of an individual or organization is concerned,—but the sincerity, and the practical value of the work of the Department of Commerce prompts this editorial expression, in view of the great value of their research to all intelligent business men. We hope the report just filed by the subcommittee of the House Committee on Appropriations which proposes to abolish the entire domestic work of the Department *is not true.*

At present Congress is only spending two hundred thousand dollars a year on the domestic work, as against four million on foreign trade extension, notwithstanding the fact that the domestic trade is nine times as great as the foreign. Particularly at this time when foreign competition commences

(*Please turn to page* 561)

OIL SECURITIES

DURING the past few months, petroleum shares have given a rather amazing performance of contrariness. Opposed to the popular viewpoint, oil shares have by no means hovered at their low levels of last summer. In fact, some of the sounder shares have had very important advances, mainly among those listed on the New York Curb market. It is rather among the Stock Exchange securities, that weakness could be found. Despite the generally unprepossessing outlook for the industry over the next few months, oil shares have repeatedly been the center of speculative activity in recent weeks though this proved abortive after each attempt to elevate the shares. Despite failure to climb, the oil stock group listed on the New York Stock Exchange have remained sufficiently above their low points of last summer to suggest long-range accumulation of the type that eventually makes broad markets. Oil stocks should be watched not with a view toward immediate profits but rather as potential vehicles for profits.

A NEW EXCHANGE?

OFFICIALS of the Produce Exchange are reported as contemplating adding a new security Exchange to the two already existing in New York. The plan is to arrange for the listing of numbers of that heterogeneous group known as over-the-counter securities. Details as yet are lacking but any movement which has for its object the increased facilitation of security transactions is worthy of support, provided due protection is afforded investors as in the case of the established Exchanges. Possibly, the present organization of unlisted security dealers may feel the proposed Exchange to be an encroachment on their territory but in the long run all members of the profession will be benefited by any sound and carefully worked out plan which actually improves present facilities in the over-the counter market.

MARKET PROSPECT

A COMPLETE review of the position and outlook for the stock market will be found on page 492.

During the war, industry was compelled to concentrate on production but excess production has lowered the profit margin. The problem is now to increase the efficiency of DISTRIBUTION AND SELLING, in which the greatest waste exists. This article deals with this vital question and is based on tremendous research in many important industries.

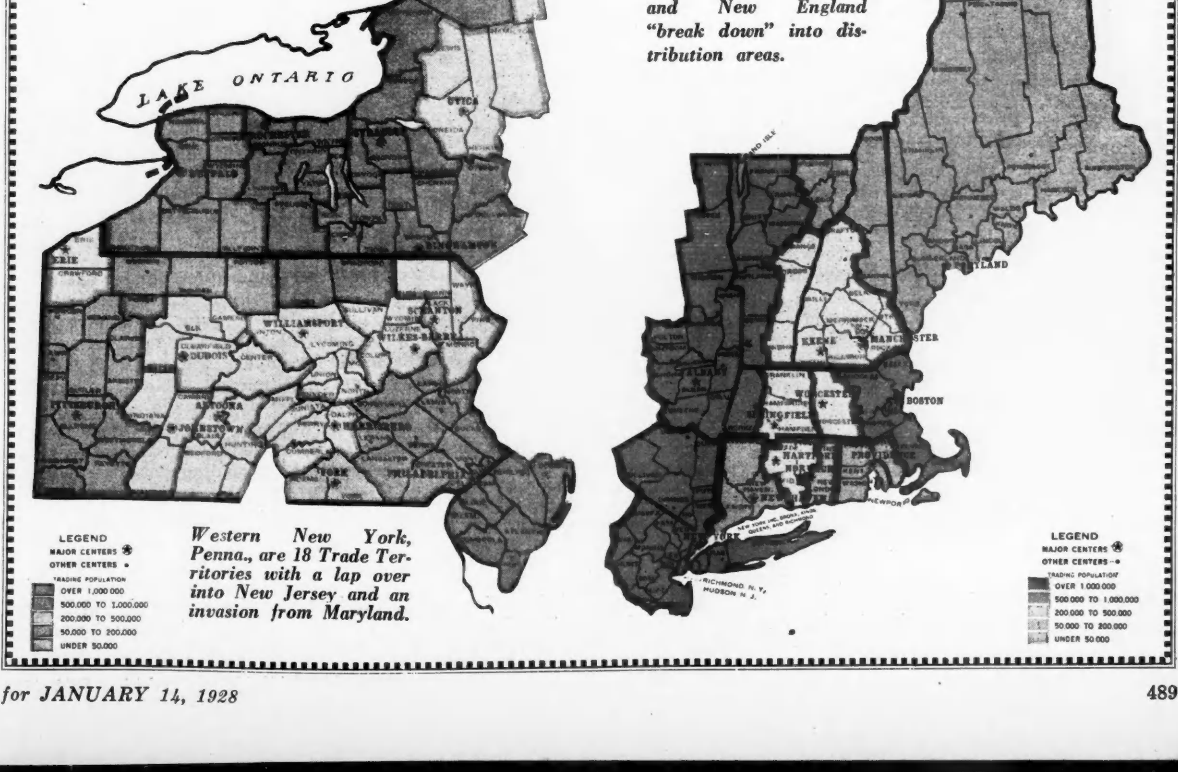
The New United States of Business

By DR. JULIUS KLEIN

Director of the Bureau of Foreign and Domestic Commerce of the U. S. Department of Commerce

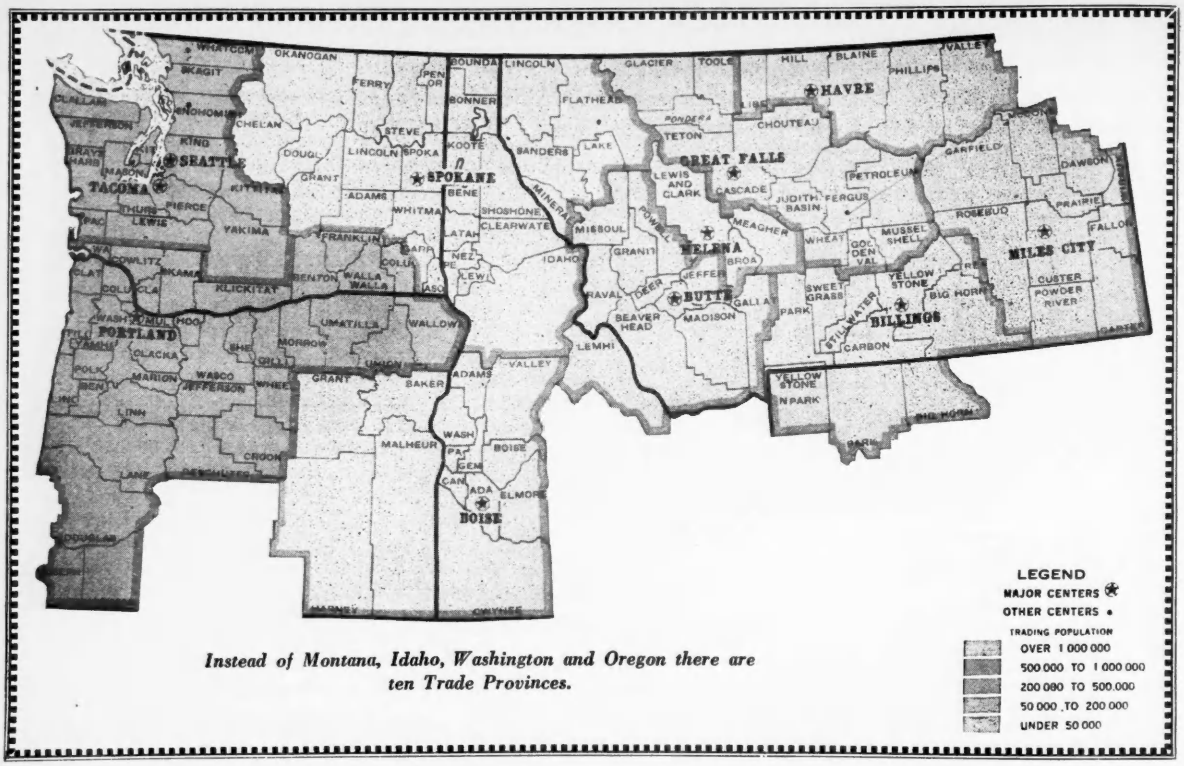
DISTANT hills, the truthful old saying has it, look green; the fortune hunter always fares far from home. The aspiring youth who looks forward to a great career invariably thinks that it must begin beyond the horizon. Perhaps this trait of humanity has something to do with the fact that until recently the Bureau of Foreign and Domestic Commerce was domestic in little but half of its name. Besides it was natural to assume that a new governmental bureau could tell people little about how to conduct their own well-known businesses. Everybody knew that the domestic trade of the United States was the greatest in the world, and the inference was easy that the people who were conducting it knew from practical experience about all that it was worth while to know about it. Moreover, it was generally accepted that we knew next to nothing about foreign trade, at least on the selling side. So it quite naturally came about that our Bureau has mainly devoted itself to exploring the green hills of trade that lie beyond our national boundaries—needed exploring.

Then, again, economic America has been deeply engrossed in the fascinating pursuit of industrial perfection. So deeply engrossed that distribution has been relegated to a secondary place, even if a great one. Despite our wonderful technique of advertising, our high pressure and original selling methods and the excellence of the physical means of distribution, it has slowly dawned on us, the economies of production are outrunning those of distribution. We tend to make more goods than we can dispose of profitably. So the attention of the business world begins to shift to-



Western New York, Penna., are 18 Trade Territories with a lap over into New Jersey and an invasion from Maryland.

How Southeastern N. Y. and New England "break down" into distribution areas.



Instead of Montana, Idaho, Washington and Oregon there are ten Trade Provinces.

ward improvement of distribution. We begin to perceive that old-fashioned distribution is inadequate for up-to-the-minute production.

Productive Efficiency

In 1925 our manufacturing industries produced $2,500,000,000 worth more of goods than in 1923 with 400,000 fewer workmen. The per capita output of each workman has increased 50 per cent in twenty-five years.

The automobile industry is the most spectacular illustration of increasing productivity, but it is really typical. It continually reduces the number of its men and increases production. One plant now produces with fewer men 1,500 cars a day against 600 ten years ago.

These facts are obvious proofs of productive efficiency. We are producing not two but ten blades of grass where one was wont to grow. The best of it all is that this revolution in production has been accomplished without a social upheaval. But something certainly has happened to the men who have been released from labor in the manufacturing industries. There is no bread line, the surplus workers have not been thrown into the streets; they have been absorbed into other activities. Nevertheless one fears that distribution is not keeping pace with production. In fact, we begin to think that perhaps we have a tougher problem to solve in distribution than in production.

The great producers have been long haunted by the problem of distribution. It was many years ago that Andrew Carnegie replied to a compliment on his ability as a producer that production was nothing, that anyone could produce, that his success was due to his ability to get rid of his products.

We hear much of profitless prosperity—the prosperity of humming industry, large output and big shipments but little return for capital. The economies of production have been much absorbed by the costs of distribution. Many of the workers who have left the factories have found places in the various forms of distribution, and the white-collar brigade has been growing while the overall army has been declining. Obviously, it profits us nothing in the long run if we waste on distribution what we save in production.

Here's an example that could doubtless be multiplied a thousand times: Ten firms in a certain line of manufacturing got together a while back and compared notes. They found that their combined annual output was $14,000,000, with only $135,000 of net profits—all of them going to two out of the ten. Great activity, lots of noise, much dust, everybody grabbing the money except the stockholders; a grand showing everywhere except at the cash register reserved for computation of distributions to the owners.

More Efficiency in Distribution

We have gone mad on production, you would think, and yet we must keep on perfecting production; there is no turning back from that road. The only way out is to apply to the costs of distribution the same methods of efficiency that recently have accomplished such wonders in manufacturing.

Not long ago one of the most efficient manufacturers of the day told me that it was his opinion that the most expert industrial firms were still in abysmal ignorance of merchandising. We have dressed up the old-time methods so that they look new and modern, but compared with production they are really primitive. We make goods with amazing precision, but when we come to sell them we take the old shotgun of our fathers and go out and blaze away in the general direction of the supposed markets.

We are always ready to fall for any persuasive high-power salesman who comes along and hypnotizes us with a brand new scheme to encompass the national market. Everybody wants a national market. Never mind the profits, it's fashionable to have nation-wide distribution.

The National Market is nothing but a National Morass for most manufacturers who are charmed by the term. They don't weigh the costs of spreading out over a continent.

Local or National Marketing

In pursuing an impossible market they frequently overlook the fact that there may be a profitable market for their entire output within fifty miles of the plant. I know of a plant in Minnesota that was running night and day and having a grand and glorious feeling in performing on

the national market stage. The business grew and grew and grew, but the profits dwindled and dwindled and dwindled. In extremis they called in a merchandising expert who happened to be one. Now they are marketing their whole output within 250 miles of their plant—and making money. They have had to forego the quivers of vanity they used to have when they saw their name blazoned in two-color double-page spread in the great national magazines, but they seek and find solace in a bank account that has grown into ample rotundity. They have learned "to take the cash and let the credit go." They have discovered that while the national market is essential to many products there are others for which it is a delusion.

We have got to stop selling from hunch to hunch and begin to sell methodically from fact to fact. We must sell for profit and not for glory. A Chicago wholesale hardware firm was doing a great business and showing a contemptible profit. It decided to scrap custom and tradition and sell nothing and nowhere if the cash register didn't ring merrily. The operation that followed this determination was heroic. The number of stock items was reduced from 12,000 to 6,500 and the territory covered was reduced one-third. Within two months profits increased 35 per cent.

This firm found that the enormous cost of carrying thousands of items that were rarely called for ate up the profits from the items that were in demand. They were in fact carrying costly inventories for the general benefit, but at their expense. They decided to retire from mercantile philanthropy and get down to prosaic but profitable brass tacks. So, along with the 5,500 dust-covered items went a lot of territory that cost more to cover than it yielded. A retreat, yes, and a bit mortifying, but a strategic retreat that brought home the bacon.

Cutting Distribution Costs

The stern necessity of confronting the inroads of narrowing profits is gradually resulting in our business leaders making up their minds to deal with distribution costs as drastically and thoroughly as they have with production costs. Thousands of individual firms and many trade associations are now on the trail and it is growing hot. Notable among these researches is the work done by the National Wholesale Hardware Association which has made a smashing attack on overhead expenses, which everywhere have piled up in numbers and complexity with the expansion of business. Another big group that has gone far already in reducing selling expense is that of the manufacturers of farm machinery.

Our domestic trade is 90 per cent of the whole. It is manifest that we cannot let it go to pot for lack of profit. This Bureau is a sort of national trade hospital. We get 9,000 communications a day, and from them we learn of the things that are troubling business. Thousands of inquiries relate fundamentally to the baffling problem of vanishing profits. As time went on the multitude of cases that came to us for diagnosis plainly indicated that there was a big job to do in domestic commerce. American business, in its self-reliant way, was mobilizing for the rout of distribution costs, but every move plainly showed that the Department of Commerce could lend a helping hand without in any sense butting in; in fact, the job of helping to steer the reform was wished onto us. There was a call for us to develop some panacea for the selling ills of business.

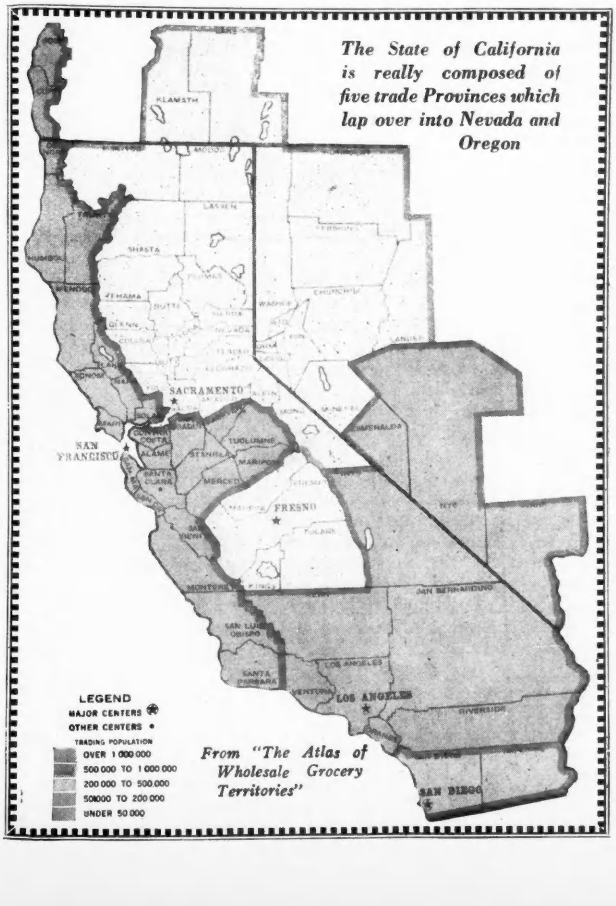
A New Commercial Atlas

One of the first jobs the Division of Domestic Commerce tackled was that of making an atlas of the United States according to wholesale grocery distributing areas. National distribution in all lines has been too much the slave of political geography. Take Nevada for example. Probably, if you were going to look for a distributing outlet in that state you would think of Reno as the right location. And you would think wrong, for most of Nevada gets its groceries from Sacramento, Calif., and many other commodities are in the same basic territorial units as groceries.

If you were pondering on sales in Oregon you would naturally think of some city in that state as the base for the whole, but you would be wrong again, for it turns out, according to the grocery atlas, that San Francisco reaches a long finger up into Southwestern Oregon. Then, again, in many states you would pick the largest city from which to reach the whole state, and again you would be wrong; for you would find, on consulting this atlas, that Philadelphia, for example, controls the wholesale grocery trade of only a small part of Pennsylvania though it spreads over much of New Jersey. The distributor must forget state and county lines and consult maps based on the boundaries of trade territories.

This grocery atlas shows that as far as groceries reflect the trade provinces of the United States there are 183 instead of the 48 political units. This job was first undertaken by an advertising agency, which made creditable progress, but concluded that the Bureau had certain advantages over any private concern when it came to collecting the data necessary to the definition of trade boundaries. So it presented us with a very substantial amount of accomplished work and invited us to complete the job, if we were interested. We were and we did. This sounds simple and small, but the president of a big wholesale grocery company declares that the atlas is worth $40,000,000 to the wholesale grocery trade. I don't know how his figure will stand scrutiny, but it must mean a lot to every one of the 3,000 wholesale grocers in the United States to know definitely his territorial limitations. Knowing them doesn't mean that a merchant can't sell anything profitably beyond them, but they are certainly a warning notice.

It's a grocery atlas, but it might almost be called a wholesale-staple atlas, for the basic information would not be greatly different for other lines. The information obtained from the wholesalers themselves consisted of the number of salesmen in the home city and outside, the total territory covered, number of accounts in each county, principal methods of shipment, delivery trucks and the zone of truck delivery. (*Please turn to page* 532)



The State of California is really composed of five trade Provinces which lap over into Nevada and Oregon

From "The Atlas of Wholesale Grocery Territories"

Position and Outlook for the Stock Market

Money Remains Key to Future Movements

By E. D. KING

THE chief clue to the outlook for the stock market is to be found in the money market. Signs of excessive use of credit for market purposes are not wanting. This may compel the Federal Reserve authorities to take some action to limit stock speculation temporarily. They can do this either by selling securities, thereby elevating the money rate, or by raising the rediscount rate.

IF there were any further proof needed that the supply and rate for money is the preponderant factor in the stock market, the record for 1927 would be sufficient. Despite a more or less prolonged period of irregularity in earnings conditions, affecting many industries, despite a disastrous strike in the coal regions, despite large losses occasioned by the Mississippi flood and other calamities, despite smaller profits for many large companies and losses for smaller units, 1927 proved a year of exceptional gains in stock market values.

A glance at stock market quotations will indicate the extent of many typical advances. Thus:

Stock	Advance Since Close of 1926
Abitibi Power	58 points
Amer. Home Prod.	36 points
Bayuk Cigars	52 points
Byers, A. M.	55 points
Gen. Rwy. Signal	38 points
Greene Cananea	120 points
Macy	109 points
Otis Elevator	46 points
Reid Ice Cream	44 points
Timken Roller	53 points

The more important advances of the year were registered in stocks which had not participated to any unusual extent in the advance of the previous year. Many were in the so-called specialty list. Railroad and public utility stocks made modest gains but hardly shining by comparison with stocks such as those in the above table. Oil stocks were depressed, steel stocks made some fair gains especially toward the close of the year. Automobile issues were a striking example of substantial advances despite a year of great irregularity within the industry. Taken by and large, however, the majority of active issues on the New York Stock Exchange registered gains of decided proportions.

Money Rates the Main Factor

Back of these advances was a preponderantly optimistic spirit in the market which, upon analysis, seems to have been based largely on the well-founded impression that money would remain in abundant supply at low rates. Only at one time during the entire year did the market, as a whole, show any inclination to take actual trade conditions into consideration. That was in October when it registered a series of steady declines in response to definite proof that the year would not measure up to 1926 in profits.

Money rates averaged about 4% in the call money market and money for investment was plentiful. This condition, of course, was reflected in the continued advance in bonds and in the lowered yield on investment stocks. Were the plentiful funds available for investment and speculation accompanied by conditions of prosperity in leading industries, the natural result would have been, of course, a broad upward movement in securities. For that reason, in consideration of the actual trade and industrial situation which existed during the greater part of the year, the advance in stocks which took place may be ascribed as being mainly due to the favorable condition of the money market.

As a result of these conditions, the amount of bank credit employed purely in security transactions has risen to the highest point in history and to a certain extent this has been reflected in the Federal Reserve and New York Stock Exchange figures on brokers' loans. These show a gain from approximately 2.8 billion dollars to over 4 billions in one year's time.

The Stock Exchange figures for brokers' loans show a total as of January 1 of 4.4 billions, the greatest in history. Regardless of what may be said concerning the imperfection of the brokers' loans figures as an index to market activity, there is nevertheless no question that the stupendous increase since last year reflects the extraordinary degree of speculation which has been going on in the market. That the Federal Reserve authorities will remain insensitive to the colossal changes which have taken place seems incredible. Recent action of the market itself indicates that it is finally becoming responsive to the unfavorable context of the swollen brokers' loans figures.

Federal Reserve Policy

Cheap money, of course, has been a direct result of Federal Reserve policy in connection with the plan to hasten the return of leading European — and other — nations to a gold standard basis. By holding the rediscount rate down at home, it has been possible to facilitate the rise in foreign exchange whereby it is now becoming profitable to ship gold abroad. We have already lost over one hundred millions of dollars gold with definite prospects of further large shipments abroad. Visible effects are noted in the decline of the Federal Reserve ratio to the lowest point in several years. The Federal Reserve Board will soon be confronted with the nice problem of permitting the present credit base to shrink further or call a temporary halt on speculative market excesses. It seems doubtful that the Board will care to change its policy in regard to facilitating the return of foreign countries to a sound financial basis and hence, it may be expected that any corrective measures designed toward strengthening the present credit position at home will be aimed at the stock market. This may be done either by sale of securities held by member banks and thus raising the money rate temporar-

ily or through outright increase in the rediscount rate. Either one or both developments may be expected early in the year.

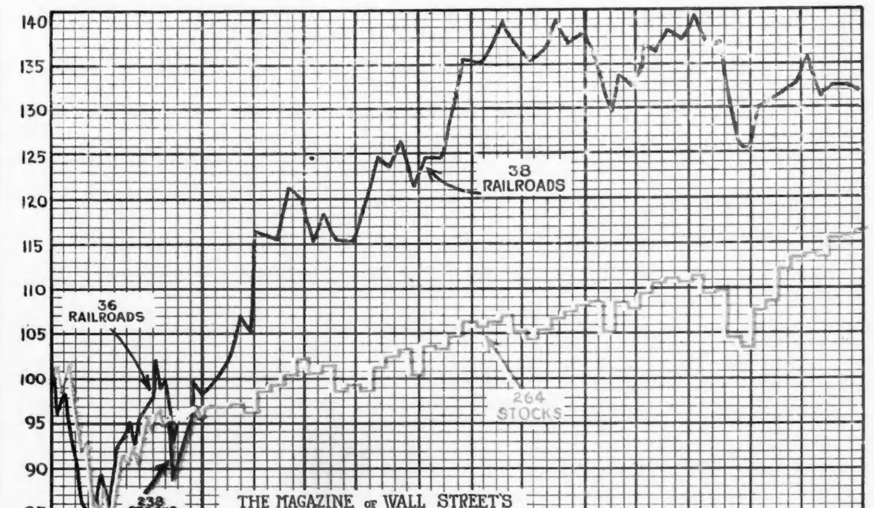
Market Sensitive to Money In any event, it may be anticipated that the security markets, particularly stocks, will become increasingly sensitive to conditions in the money market. Furthermore, we may witness the anomaly of a declining stock market at a time when business is becoming more active. From present indications, the business outlook has distinctly improved in the past few weeks and prospects are for considerably increased activity at least during the first half of the year. This in itself would necessitate the withdrawal for business purposes of part of the credit now employed in security transactions.

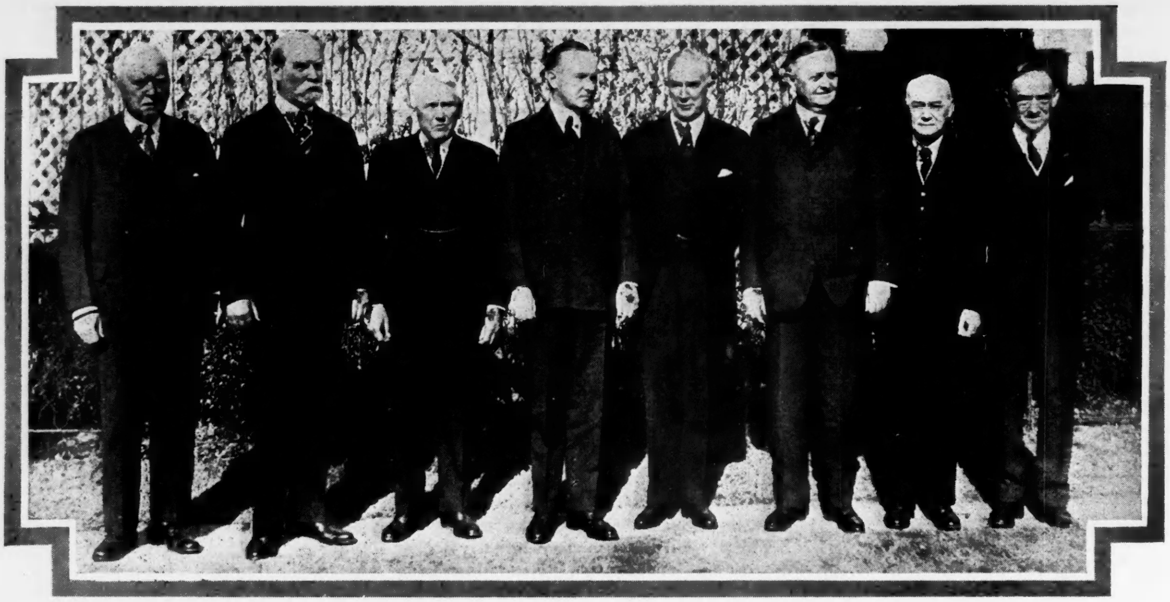
In the past few years, the market has undergone a very decided change in respect to rapidity and brevity of downward movements. Although we have had several severe breaks in the past few years, they have as a rule run their course in less than two months. Considering the generally favorable business outlook, there is no reason outside of the money rate situation to fear the creation of any new influence which might bring about a prolonged decline in security values. The longer range outlook is for cheap money rates and, in fact, if the Federal Reserve Board took steps for a period to raise the rediscount rate it would have the effect of attracting gold back here and thereby increasing the credit supply with the ultimate effect of lowering the money rate. In other words, if higher money rates come about, the situation is likely to be only temporary and hence its influence on the market would be temporary. Looking at the situation from another angle, it appears that any market declines to materialize are more likely to be of brief duration than prolonged in extent.

From the viewpoint of present conditions, an unwholesome element has been allowed to enter market dealings in consideration of the excessive activity in purely speculative stocks. Trading has entered in some respects that typical unreasoning stage which is generally symptomatic of a hollow internal situation. The public has made a good deal of money in stocks this year and this has tempted them to enter marginal transactons on a larger scale than warranted by their financial condition. Furthermore, it is not difficult to discover under cover signs of skilful distribution of stocks of speculative character.

Conclusion For this reason, the investor is cautioned to overhaul his stock holdings with more than ordinary care. Where he has large profits in speculative issues he should take the precaution of accepting at least part of them. As to issues of an investment calibre, it is not likely that they will be materially affected by any market decline that may materialize in the near future. Such issues are too well buttressed by earning power and splendid financial condition of their companies to be subject to more than temporary set-backs. From the broader angle, the trend of investment issues is upward and likely to remain so for an indefinite period or at least until there are tangible signs that our credit position is permanently weakened. Particular attention is called to the sound position of railway and public utility stocks. Both groups are laboring under temporarily adverse political influences, but their basic situation remains strong, their earnings though perhaps less than a year ago in some cases are satisfactory and their general market outlook encouraging from the broader standpoint.

THIS graph shows the movements of the stock market as contrasted with money rates. It will be seen that in 1927 the general tendency of money was downward, coinciding with an upward movement in the general averages. Railroad stocks, however, due to special causes held back.





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Notable men who will attend meetings that begin in Havana January 16. Left to right: Ex-Judge Morgan J. O'Brien, New York; Charles Evans Hughes, New York; Frank B. Kellogg, Secretary of State; President Coolidge; Henry P. Fletcher, former American Ambassador to Italy; Oscar Underwood, former Senator from Alabama; James B. Scott, Washington, and Dr. L. S. Rowe, director of the Pan-American Union.

Better Times Ahead For Mexican Investments?

Significance of Recent Attempts to Bring the United States and Central and South American Countries Into Harmonious Relations

By PIERCE H. FULTON

THERE has been a lot of hurrahing for Mexico in recent weeks. There is likely to be still more in the weeks immediately ahead. It is all good as far as it goes, but it does not go far enough.

Much more is needed if Mexico, her Government and her people, are to take the place again among the nations of the world, to which they are entitled, by reason, particularly, of untold resources and possibilities for development. The lamentable fact is that, in some respects, and for reasons that will be given later, the country never has held the position that it might have.

Mexico is not only passing through a truly critical period, but it is also entering one of equal opportunity, and even promise—if the right attitude is taken and the right things are done by all concerned.

Will they? That is the big question. The whole future of Mexico depends upon it.

Political Developments

But why, someone may ask, should so much interest be taken by Americans and Europeans in Mexican affairs?

This question can easily be answered and would not be asked by anyone who has been familiar with the Mexican situation for the last quarter of a century and even less.

In Diaz's time there were said to be 50,000 Americans in all Mexico and 10,000 in Mexico City alone. In recent years the number has been greatly reduced by the unsettled political conditions. Even the smaller number who are there now and their investments in Mexico furnish ample reason for the United States to be keenly interested in conditions in Mexico and particularly in the way that their nationals and their property are treated.

Extent of American Interests

President Diaz, fully realizing that his own people would never develop their own country, invited Americans and Europeans to come to Mexico and to invest their money there on a large scale. He assured them full protection for themselves, their money and the enterprises into which they put it. They came and brought or sent their money to the extent of hundreds of millions of dollars.

He never failed in any important particular. This, of course, does not mean that foreigners did not encounter bandits from time to time, but it does mean that he maintained, in a broad way, an orderly and responsible Government. In the main, foreigners were as safe in Mexico in those days as they were in their own country.

This attitude on the part of President Diaz resulted in hundreds of millions of dollars being invested in the mines, railroads, oil and agricultural lands of Mexico. American money and American brains built the railroads. Before Francisco Madero started his revolution against Diaz the railroads of Mexico as a whole—embracing approximately 13,000 miles of line were in better physical condition than many of the lnes in the southwestern section of the United States immediately bordering on Mexico.

The National Railways The Mexican Railway, running from Vera Cruz to Mexico City, was built, owned and operated by the English. This is still true. Only a few years before Francisco Madero began his revolution against Porfirio Diaz, the National Railroad Company of Mexico, whose main line extended from Laredo on the Texas border to Mexico City, and the Mexican Central, whose main line extended from El Paso to the Mexican capital, together with various small lines, were consolidated into the National Railways of Mexico.

The system passed under Government control through ownership of practically all the common stock. The physical condition of the constituent properties was greatly improved, the financial position was strong, dividends were being paid on the preferred shares.

During the seventeen years since the revolutions began, this system in particular and the railroads of Mexico in general, have passed through many vicissitudes. When the revolutionists were most active, it was a favorite pastime for those who were in the field to collect as many freight cars and locomotives as possible, string them together and run them on to a bridge over the biggest ravine in that vicinity, blow up the whole business, most of the locomotives landing at the bottom of the ravine. Other physical property was destroyed and for the time restored only temporarily, if at all.

With the more orderly Government of President Obregon and President Calles, the physical condition of the National Railways has been considerably improved, but by no means restored to what it was before the beginning of the revolutionary period.

The Southern Pacific has an important line over 1,200 miles long down the west coast of Mexico from Nogales on the northern border to Guadalajara over its own tracks and thence to Mexico City over the National Railways.

The road runs through a marvelously rich country, which is capable of giving the Southern Pacific a vast amount of traffic. This line was built by the parent company with the idea of its affording an outlet for Pacific Coast traffic in the United States and also for the development of a large amount of business in Mexico.

There have been many interruptions because of political conditions in Mexico in the construction of the road, but it is now in full operation. The investment in property alone as of December 31, 1926, was nearly $65,000,000. The Southern Pacific as yet has not received a substantial return on this investment, but it is certain to do so with the right kind of government and with the right kind of conditions generally in Mexico. In fact it should prove a big source of income to the parent company and should make the shares of the Southern Pacific Co. even more attractive than they ever have been.

With such conditions in Mexico as are possible, if the right things are done at the right time by all concerned during the next few years, the securities of the National Railways of Mexico should offer exceptional possibilities.

In pursuance of a policy put into effect somewhat during the last years of the Diaz administration, under the slogan "Mexico for the Mexican," American executives and heads of departments have been driven from the management of the National Railways of Mexico. Mexicans who were not fitted for those positions have been put in their places. In no way have the results been satisfactory. If Americans are again restored to those positions and the Government maintains the policy towards the railways that it should, there is no reason why, within a reasonable time, the National Railways should not be earning and paying dividends on its common as well as its preferred shares. The public has no real chance at the common because practically all the stock is owned by the Government.

In any attempt to visualize the possibilities for the foreign owned and operated enterprises in Mexico, sight should not be lost for a moment of the oil fields, mineral deposits and, most of all, the agricultural lands.

Oil Prospects With fair and just oil regulations, sensibly administered, such as now appear to be in sight, with a stable government, and a broad-minded foreign policy—fully lived up to—the operation of oil properties in Mexico would be highly profitable for American owners.

According to government estimates, in 1926 Mexico had 14,000,000 acres of oil lands, only 14,280 of which had been exploited. In 1920 Mexico was said to have produced 23.30% of the aggregate output of crude oil. That percentage has been lowered in recent years by adverse political conditions and unreasonable and practically impossible oil laws.

The Standard Oil Co. of New Jersey, the Mexican Petroleum Co., owned by the Pan-American Petroleum Transport Co., and the Sinclair Consolidated Oil Corporation are among the well-known producing companies, whose securities are dealt in on the New York Stock Exchange, that are large oil operators in Mexico. In 1926 the output of the Mexican Petroleum Co. alone was approximately

Mexican Labor Pays Tribute to Lindbergh

A general view of the great labor demonstration and parade held in honor of Colonel Charles A. Lindbergh, in Mexico City. Thousands paraded and lined the streets, cheering America's Envoy of the Air with wild enthusiasm.

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33,000,000 barrels. That company owned about 1,500,000 acres of oil lands, located principally in the Tampico District. These lands, up to December 31, 1926, had produced upwards of 2,366,000,000 barrels. The total exports of oil from Mexico in 1925 were 95,517,030 barrels. The value of the aggregate production in that year was placed at $148,225,000.

Mining Investments

For centuries Mexico has been one of the principal mining countries of the world. It has yielded over one-third of the world's silver. About $500,000,000 American money is said to have been invested in Mexican mines, largely silver.

The American Smelting & Refining Co., with mines in seven States and smelters in five important cities in Mexico, is of special interest to Americans in considering the securities of American mining corporations having large interests in that country. Under normal conditions the mines of the American Smelting Co. alone are believed to be capable of producing 2,500,000 tons of ore a year.

Those who know Mexico best are confident that the greatest possibilities in that country are to be found in the development of her agricultural lands. The cultivable lands are estimated at three-quarters of the total area, or 370,500,000 acres. Of this amount, it is trustworthily stated that only about 18,000,000 acres actually have been cultivated. For the further development of these lands, money on a large scale for irrigation, American farm implements and seed are the chief requisites, according to the popular idea among foreigners.

They are absolutely necessary, but what are really needed first of all are peaceful conditions in the country, so that the tillers of the fields will not be called to the army, and a greater disposition on the part of the natives to work and cultivate the land.

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The arrival in Mexico City of Dwight W. Morrow as American Ambassador, the characteristically democratic, friendly and sensible manner in which he has taken up his duties, have accomplished much already, according to numerous dispatches from the Mexican capital, toward a better understanding at least, on the part of President Calles and his associates in the Mexican Government, of President Coolidge, the American Government, all good Americans, and their real attitude toward the Mexican Government and the Mexican people.

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What of the future? How about the "Tomorrow" of Mexico? Why the necessity for these efforts? Will they meet with reasonable success?

Before going further it should be stated emphatically that no one who does not really know the Mexican people can understand why the present and immediate future are of such vital importance to the welfare and the further development of Mexico.

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"You know, without seeming to boast that during all the years I lived in Mexico I had the then most prominent Mexicans as my friends and was able to keep them as such, notwithstanding all the changes through which the country passed. I liked those people, I felt they were my friends, but when you get all through extolling their good qualities, they were still Mexicans.

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(Please turn to page 549)

NO INCOME TAX REDUCTION?

By

Theodore M. Knappen

INVESTORS should understand that there is acute danger that there will be no reduction in Federal taxation at this session of Congress.

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On the other hand, a large element in the Senate is in favor of going even further than the House did and making the tax reduction well in excess of its $290,000,000.

The Chamber of Commerce of the United States, unmoved by Secretary Mellon's caustic opposition to its tax reduction program, stands pat on its insistence on tax reduction that will aggregate about $400,000,000. It maintains that the 1929 surplus, under the present revenue act, will be at least $439,000,000, and probably more. Among other things, the Chamber of Commerce insists that it is only simple justice that the Corporation Income tax should be reduced to a figure not to exceed 10 per cent, to take effect immediately.

It has just been discovered that the revenue bill, as passed by the House, contains the amazing departure from established practice of a proposal to apply income taxation to capital. Section 115 provides that in case a corporation disburses profits accumulated prior to March 1, 1913, they shall be taxed as dividends.

Heretofore, except for a short time in 1916, all national income tax legislation has treated distributions to shareholders of accumulations prior to March 1, 1913, as capital. Every corporation in America that may see fit to distribute such earnings without going through liquidation will hereafter be taxed on them if the bill becomes law. This amendment, described by a national trade association as a "grossly discriminatory and unjustifiable change," bears particularly onerously upon the extractive natural resource industries, which in the ordinary course of events are normally in process of disbursing capital because their operations necessarily deplete their capital, i. e. their material as well as dividends proper to their shareholders. Under the proposed change, it will now be impossible for them to avoid taxation of capital unless they go through liquidation and wind up their affairs.

Such features as the one just referred to, and the excessive revenue reduction of the House bill, make it so obnoxious to the Treasury Department that it will recommend a presidential veto if the bill is not satisfactorily altered.

Further, it is learned on unimpeachable authority that President Coolidge is of the opinion that under his oath of office he will have no discretion, but must obligatorily veto the bill if the Secretary of the Treasury certifies to him that its operation would result in a deficit.

That the Secretary of the Treasury would do, if called upon to make a statement to the President now. That he will do if March 15 collections under the existing law — should Congress postpone action until after that date, as now proposed—indicate that 1928 receipts will not be larger than he now estimates.

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On the other hand, a large element in the Senate is in favor of going even further than the House did and making the tax reduction well in excess of its $290,000,000.

The Chamber of Commerce of the United States, unmoved by Secretary Mellon's caustic opposition to its tax reduction program, stands pat on its insistence on tax reduction that will aggregate about $400,000,000. It maintains that the 1929 surplus, under the present revenue act, will be at least $439,000,000, and probably more. Among other things, the Chamber of Commerce insists that it is only simple justice that the Corporation Income tax should be reduced to a figure not to exceed 10 per cent, to take effect immediately.

It has just been discovered that the revenue bill, as passed by the House, contains the amazing departure from established practice of a proposal to apply income taxation to capital. Section 115 provides that in case a corporation disburses profits accumulated prior to March 1, 1913, they shall be taxed as dividends.

Heretofore, except for a short time in 1916, all national income tax legislation has treated distributions to shareholders of accumulations prior to March 1, 1913, as capital. Every corporation in America that may see fit to distribute such earnings without going through liquidation will hereafter be taxed on them if the bill becomes law. This amendment, described by a national trade association as a "grossly discriminatory and unjustifiable change," bears particularly onerously upon the extractive natural resource industries, which in the ordinary course of events are normally in process of disbursing capital because their operations necessarily deplete their capital, i. e. their material as well as dividends proper to their shareholders. Under the proposed change, it will now be impossible for them to avoid taxation of capital unless they go through liquidation and wind up their affairs.

Such features as the one just referred to, and the excessive revenue reduction of the House bill, make it so obnoxious to the Treasury Department that it will recommend a presidential veto if the bill is not satisfactorily altered.

Further, it is learned on unimpeachable authority that President Coolidge is of the opinion that under his oath of office he will have no discretion, but must obligatorily veto the bill if the Secretary of the Treasury certifies to him that its operation would result in a deficit.

That the Secretary of the Treasury would do, if called upon to make a statement to the President now. That he will do if March 15 collections under the existing law — should Congress postpone action until after that date, as now proposed—indicate that 1928 receipts will not be larger than he now estimates.

Leaders See Definite Signs

Existing Clouds of Small Proportion in Estimation of America's Influential Business Men

Interviews with

J. M. HEAD

THERE is nothing seriously threatening in the business sky for 1928. The clouds that can be discerned are small and apparently evanescent. They carry no menace of anything more alarming that possible temporary squalls, that are likely to have little effect on the general trend of industry.

Nor are they of the sort which are likely to increase with the oncoming months. Such dislocation of business as exists at the present time is confined to certain spots, or to special industries, and in the case of the latter they seem to be giving way rapidly, thus permitting a return to normal.

In seeking to obtain the opinion of big men in industry, captains of finance and business, I stressed with each man interviewed the fact that what this publication wanted was not meaningless words of optimism, but the actual opinions of the men whose experiences had led them up to enviable positions in the business world and who were therefore in a better position to read the business signs of the times than was the average man.

The men who are quoted here are those who have been and are the leaders in their kind of work. They have stated what they believe to be the probabilities for business in 1928. None of them professes to be a prophet. Indeed probably each one of them would be surprised if all of his predictions came true. They are simply successful human beings who have gained knowledge by long years of activity in their chosen line, and hence are qualified to tell others what they believe.

The conclusions of these men give large hope for 1928. They do not overlook the obvious while seeking to find a reason for their belief of good times ahead. Many of the factors of possible disturbance have been pointed out and analyzed with a view to their possible effect on the future of business. And after taking every phase of unrest or creator of unrest into consideration, they have revealed a broad confidence in the greatness of this country, and in the wisdom of its people which makes one feel that predictions of dire disaster are not well founded.

1928 A Good Year for General Business

By
Bernard F. Gimbel
President of
Gimbel Brothers

BERNARD F. GIMBEL, president of Gimbel Brothers, answered my query on the business possibilities of 1928, with another question.

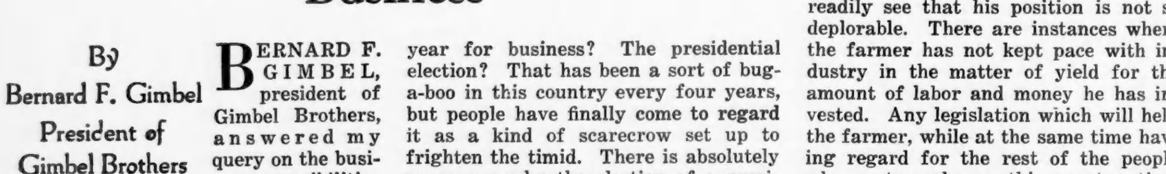
"How can anyone, contemplating this tremendous country of ours fail to be optimistic regarding future conditions? I am bullish on America for many years to come. I would not even attempt to limit its promise of future development. And while there may be some who have professed to see a slight slowing down in business during the closing days of 1927, and thus figure out that there may be a continuance of the recession in 1928, I do not agree with them in either premise. Business has been somewhat spotty it is true, but I know that we have had no cause to complain. Our holiday trade was up to normal. We have established ourselves for a period of expansion, and if we did not think that it was coming we certainly should not have added to our space as we have."

"Why should not 1928 be a good year for business? The presidential election? That has been a sort of bug-a-boo in this country every four years, but people have finally come to regard it as a kind of scarecrow set up to frighten the timid. There is absolutely no reason why the election of a president from one or the other of the two great parties should make any great difference in business, so long as neither party is committed to radical doctrines. There are elements in both parties advocating what most of us regard as unsound theories, but they would have to unite to form a third party, and that party would have to grow greatly in power to upset our present business equilibrium."

"Will the agitation over the farmer and his troubles have a tendency to create such uneasiness as to lead the big men in finance and industry to retrench?" I asked this young merchant prince.

"Now you are asking a question which goes so deep into economics that I shall have to refer you to those who make a study of this sort of thing," was the quick answer. "We want to see the farmer prosperous. Indeed I am entirely willing to admit with others that our country cannot be entirely prosperous if the farmer is poor. But if we regard the farmer as he is today and compare him with the farmer in other countries, we can readily see that his position is not so deplorable. There are instances where the farmer has not kept pace with industry in the matter of yield for the amount of labor and money he has invested. Any legislation which will help the farmer, while at the same time having regard for the rest of the people who go to make up this great nation, should be welcome. Price fixing, however, will not, cannot do it. We do not have to be great economists to know this very fundamental fact. Nobody fixes the prices at which we sell our goods—that is decided by competition. I remember that a very prominent corporation lawyer, recently deceased, once said to me that this was one of the troubles of the railroads. While the merchant was moved to determine the price of his goods by the law of supply and demand, the railroads were being price-regulated to such an extent that they were all being reduced to the same level, and profits were meager.

"I may be wrong, but I do not see any very serious problems ahead. Business in most lines slows down at the close of the year. We generally look for a revival after the new year. Perhaps the first month or two will see business feeling its way, testing out the various channels of buying and selling,



Of Business Recovery From Recent Slump

estimating the depths of the foundations, and planning for future drives. There is not a single dangerous factor that I can see. In addition to our domestic business, foreign markets are being opened to us to a greater extent every day, due to the improved conditions on the other side.

"All my life I have heard the statement, when we're in the midst of a good business period, that this thing cannot continue, that there is bound to be a reaction, that we have been going at too rapid a pace and are bound to pay for it in the end. And the most terrible thing that I have seen has been a slight letting up, only to be followed by an era of activity greater than the most active that has preceded it. So I am not alarmed when prophets of evil in business sound their warnings.

"You may unhesitatingly credit me with saying that I believe 1928 will be a good year for general business—and we won't wait to find out who is going to be elected president, either."

Re-Entry of Ford Will Help Industry

By
W. P. Chrysler
President of the Chrysler Corp.

WALTER P. CHRYSLER, president of the Chrysler Corporation, while recognizing the fact that the latter part of 1927 developed a slight business recession, sees a better year in 1928. He finds sound conditions in business at the present time, with credit supply great and flexibly available, and has faith in the Federal Reserve system to prevent anything like panicky conditions. The return of Ford to active production is regarded as a factor which is likely to aid greatly in what he regards as a reversal of even such a mild swing away from prosperity as we have had in the past few months. Mr. Chrysler says:

"There is every reason to believe that prosperity in the United States will continue. There is plenty of evidence that business is fundamentally sound and upon a conservative basis. Some business is spotty today, but was there ever a time when all business enjoyed good times? Some business is always in trouble, more or less serious.

The Problem Before Business

"The continuous decline of prices during the past two years has given business a problem to meet. Business men have had to depend principally upon large scale output and the elimination of waste and inefficiency in production to assure themselves of profits. With the margin of profit thus closely related to mass production, it was inevitable that a lowering of the general level of production would find prompt reflection in earnings.

"I cannot help but feel that the temporary withdrawal of the Ford Motor Company from active production has had a retarding influence upon many businesses. The re-entry of the Ford company into active competition will prove a real stimulus to the automotive industry which in turn will help other industries. As business improves for the automobile industry, business will also improve for the steel industry, the railroad industry, the rubber industry and the petroleum industry. It must be remembered that the automotive industry is not only the largest of all United States manufactures, based on wholesale value of product, but it also is a tremendous buyer of raw materials.

"I don't want to convey the impression that 1927 has not been a good year for the automotive industry. The contrary is true. Taking the average retail deliveries of all makes of automobiles including Ford, for the basis, the deliveries for the first nine months of 1927 have been 92.1 per cent of the average compared with 113 per cent for 1926; 99.77 per cent for 1925; 90.8 per cent for 1924; and 103.3 per cent for 1923. It will be observed that the retail deliveries of automobiles in the United States during the past five years have fluctuated between 9.2 per cent below average to 13 per cent above average. The idea that the automobile industry is highly volatile is popular misconception and the stability of the automobile industry as indicated by these figures will compare favorably with any large industry in the country.

"The decrease in the volume of automobiles purchased this year has been contributed to substantially by the temporary withdrawal of Ford cars from the market.

Presidential Year and Business

"There are some people who view 1928 with uneasiness because the coming year is to be presidential year. To me this is curious. Well do I appreciate that economic reactions have been experienced during presidential years but for the life of me I can find no economic justification for such changes. There is no good reason why a presidential year should have any influence on business. And I for one don't believe it will have any influence during the coming year.

"When one takes a glance into the future and tries to determine what the months ahead have in store for business one must remember that our credit supply is so great and so flexibly available and the Federal Reserve System is being conducted so efficiently and functions so smoothly that there is little possibility of depression. The day of the wide swing away from prosperity is over. Then too our banks are stronger than they ever were. American industry is in possession of cash and securities far in excess of those held in former years. Our credit structure is in a healthy condition.

"We in the automobile industry have experienced a good year. Export business is becoming more and more important. We look forward to the time when American companies will be exporting a million cars to countries all over the world.

"American business should gain satisfaction out of the fact that it can look back upon a year of good business and can look ahead with confidence. I look for a very good year in 1928."

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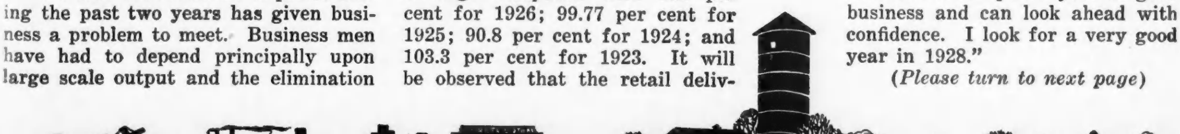

Clue to 1928 and 1929 Found in Building

By
J. C. Cushman
President of
Cushman & Wakefield, Inc.

LOCAL conditions largely govern in the real estate field. Hence, to give a broad forecast of what is likely to happen, in a given time, in this line of activity, may tend to bring the forecaster into some disrepute.

This is the conclusion of J. Clydesdale Cushman, president of Cushman & Wakefield, Inc. This company is one of the largest in the country, dealing exclusively in the rental and management of office buildings. Its operations are chiefly in the Grand Central zone of New York, which unquestionably has seen the most rapid development, in the past decade, of any business section in the world.

"The real estate man," said Mr. Cushman, "is inherently an optimist. It seems that he must naturally look on the bright side of things. Hence, to be natural, I must say that, despite some factors that may not seem so reassuring, business for 1928 presents few threatening aspects and many favorable ones.

"The condition in real estate is only a reflection of other businesses. I do not refer to real estate booms, but to the general run of real estate operations and activities over a certain period of time. While there has been a tremendous building movement in the uptown section of New York, its growth has not been of the mushroom type, and, until a short time ago, all the construction in this district was justified by the demand for office space. Of late, however, I feel that there has been some over-building. We had something like 2,700,000 square feet of office space thrown on the market in our district last May, and while there will not be as much in 1928, we are likely to have a similar amount in 1929.

"The renting prospects for 1928 seem most favorable from the owner's standpoint, for by May 1, next, we should see the virtual completion of the remarkable absorption of space put on the market last May.

"There are a number of very large buildings now under construction and others already planned for completion in May, 1929. Space in these buildings is already being rented, but the total area now under construction is so enormous that a word of caution should be sounded against further building for completion in 1929.

"New York is not alone in this respect. The so-called Michigan avenue section in Chicago, is, I feel, experiencing something of the same nature, and Detroit appears to have reached the saturation point for the time being in the matter of absorption of office space, while still going ahead madly in the construction of more buildings. These are, as I have said, only local conditions, created by the intense period of prosperity that we have had, and if business should continue its expansion as rapidly in the near future as it has demonstrated its capacity to expand in the past, even this evidence of a possible disturbance may vanish.

"The tenants in our buildings, comprising as they do many of the largest business, industrial and financial institutions in the world, appear to be prospering. The big ones are constantly enlarging and the little ones are also getting bigger. Our collections have been and continue to be good. There is no evidence of retrenchment, no tendency on the part of our tenants to cut down their space. This means to us a good indication that 1928 has no menace for the big business man.

"If we have any apprehension about the future of this immense business area which we serve, which is often regarded as the marvel of the age, it does not have to do with 1928, but rather with the year following, as I already have pointed out. For this reason we are not making leases for a short term where this can be avoided. I believe that we in the office renting business have to look even farther ahead than those engaged in other work. We have to consider the local situation while at the same time taking cognizance of the general conditions. We have many tenants whose business is nation-wide, and if their business is affected elsewhere, that trouble is likely to be reflected here in New York.

"Having seen, as I said, no evidences of a marked tendency to retrench, on the part of our tenants, we face 1928 with confidence."

Barometric Indications of Fair Weather Ahead

By
Edward J. Cornish
President of the
National Lead Co.

IN the opinion of Edward J. Cornish, president of the National Lead Company, the very optimistic reviews of business conditions given recently by the President of the United States and by the Secretary of the Treasury, are justified. He sees comparatively little unemployment, though it may be for the time on the increase. High wages are general. The workingman is spending money freely and consuming more than ever before. Capital is generally and profitably employed. Interest rates continue low, and additional capital, where needed, can be easily obtained He feels that the exceptionally great resources of the United States are being developed by the best clothed, the best housed and the best generally educated people in the world.

All these things, it is the belief of Mr. Cornish, are barometric indications of fair business weather ahead. Upon them he is confident that one can base a favorable long-distance forecast.

"Taking a simile from our physical geography," said Mr. Cornish, "we have the great Gulf Stream, we have the tides, and we have the trade winds, upon which shipping can depend for certain things. The one thing which may upset for the time the expectations of the navigator is the storms which are often dangerous, and are uncontrollable. The storm winds may occur in business, just as in navigation, and they are the menaces for which we always must be on the lookout.

"Temporary interruption of the current of anticipated prosperity may be occasioned by a loss of confidence on the part of the people by reason of fear based upon the following conditions:

"Over-expansion of credit.

"Excess exportation of gold.

"Undue increase in interest rates.

"Change of policy by reason of the defeat of the Republican party.

"A belief that the Republican party was adopting measures of a socialistic nature that were economically unsound.

"In connection with the possible existence of such fears one may cite the fact that there has been an enormous increase in credit — 11 billion dollars borrowed by National, State, County and Municipal bodies for roads and for improvements; 3 billion dollars in installment buying for merchandise the life of much of which will barely extend beyond the time for the final payment; 4 billion dollars in loans to brokers on stocks and bonds—an increase of 1 billion over 1926; 10 billion in building loans. A prosperity

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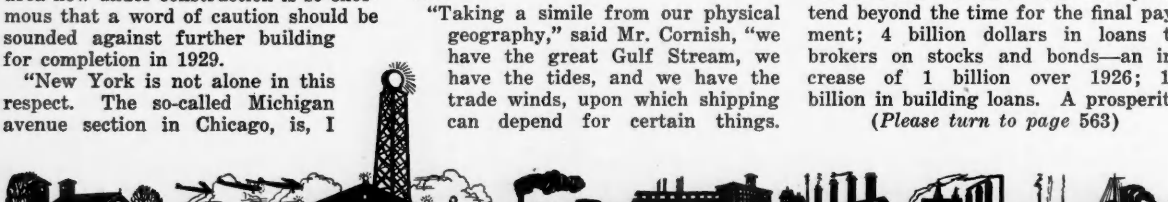


Profit Prospects of Leading Industries

It is the purpose of this map to afford a general picture of the prospects for profits and earnings of leading industries of the country. Industries are not rated with regard to local conditions but from a nation-wide standpoint. Hence, no attempt has been made to indicate all producing areas, but rather to locate the rating in relation to one, or at most two, important and representative centers.

The Market Leaders for 1928

EACH year brings forth a new group of stocks which either for a fairly long period or almost throughout the year are especially active. Last year, over long periods, at least, stocks like Timken Roller Bearing, New Haven, Missouri Pacific, Radio, Montgomery Ward and many others not customarily ranked as among the dominant issues, occupied an important market position in respect to volume of shares traded in, activity of transactions and price fluctuations.

This year no doubt additional stocks will command attention. Always, in the background there are stocks such as U. S. Steel, General Motors, New York Central and Consolidated Gas which are the real leaders of their groups. But, owing to the enormous increase in the number of issues, the specialized condition of companies within industries and the particularized interest and requirements of investors and speculators, leadership of the market is not held exclusively by the old time issues but has passed in part, at least, to issues of newer vintage or older stocks which are coming into their own.

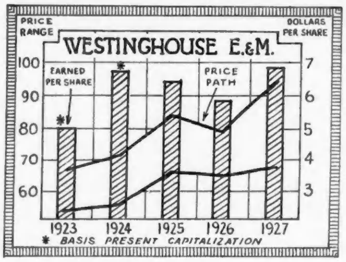
By "stock market leader" in this series of sketches is meant not so much stocks which may gain the largest number of points or stocks which have great influence on others belonging to their group, as issues which should prove exceptionally active at rising prices over periods of time. Were we to apply the strict definition of a market leader, we could include only such issues as Steel, Motors, Canadian Pacific and the like. By broadening the definition to meet modern market conditions, we may expand the list by including issues of the sort recommended in last year's feature and in the present article.

Starting with this definition, therefore, we have aimed in this series of sketches to present the essential facts concerning eight issues which we believe will be found up among the front of the more active stocks in 1928 and which, we believe, will show satisfactory price appreciation. We have endeavored in all cases to select issues in which the speculative risk is more or less limited.

The fundamentals governing the future price movements of the issues selected, we believe, are sufficiently strong to warrant considering them for speculative investment.

It is not to be construed, however, that these stocks will act as "leaders" from the very start of the year and continue their activity right up to the close of 1928. It may be that these stocks will be dormant for a period and then become active, or they may first be active and then become dormant. Among the leaders for 1927, several of the stocks we selected became very active on a rising scale early in the year and then the activity died out, others, on the other hand, first were quiet and then became active toward the close of the year. In any case, we believe the stocks selected in this feature warrant consideration as attractive securities, regardless of whether they assume market leadership or not.

Westinghouse Electric & Manufacturing

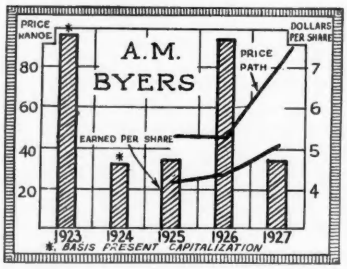


LONG regarded as one of the soundest of industrial common stocks, speculative activity in Westinghouse Electric & Manufacturing common has usually been very limited and price movement relatively restricted. The trend of net earnings has been featured by regularity rather than by anything spectacular, the substantial growth in sales having been somewhat obscured by increases in cost of sales of similar proportions. Ability to widen the margin of operating profit, which has been habitually under that of General Electric, the other major factor in the electrical equipment field, appears to be all that is required to lend more color to Westinghouse common stock from the market aspect, and, in conjunction with the entrance of new and aggressive interests into the company, the chances are in favor of greater stress being laid on this phase of the business than heretofore.

Indications of an invigorated market status for the shares are partially borne out by their recent action in breaking away from their old trading range, reaching levels above 90 for the first time in a great many years. This has occured in the face of a decline in sales reported for the first half of the current fiscal year ending March 31 next, and lower share earnings, which were at the rate of $5.46 per annum as against $6.81 for the previous year. The financial position of the company is invariably maintained at a high standard of strength.

Ranking second only to General Electric in a wonderfully situated industry, the long range trend of business can hardly fail to be upward, and an even larger share of available bookings is foreshadowed by recently formed affiliations with one of the strongest public utility groups in the country. Westinghouse common as one of the market leaders would present a somewhat strange appearance in the light of its past characteristics, but such is by no means beyond the realms of probability.

A. M. Byers

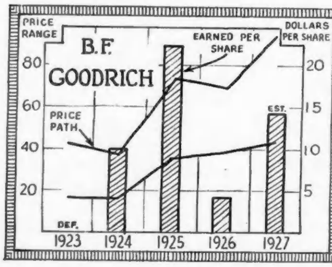


ONE of two factors is generally instrumental in converting any particular stock from a status of relative market inactivity to a position among the leaders in point of volume of transactions; either earning power is in process of undergoing a favorable transformation, or there are outstanding developments under way, which, when completed, have excellent prospects of producing such a transformation, even though not as yet reflected in earnings. When an important additional source of income is added to a business already firmly entrenched in its field, a situation of unusual interest arises.

A. M. Byers Company at present produces about 50% of the wrought iron pipe manufactured in the United States, but operations are unavoidably restricted through the materially greater cost of turning out this product in comparison with steel pipe, which offsets to some extent the natural advantages possessed by wrought iron pipe in respect to durability, resistance to corrosion, etc. If this price differential could be eliminated, a very much wider market for wrought iron pipe would be created. The company is in hopes of achieving this result in the not far distant future through development of the Aston process, designed to supplant hand puddling with mechanical puddling and one of the plants is being devoted exclusively to the purposes of this revolutionary experiment.

Fairly recent acquisitions and affiliations, affecting both raw material supplies and distributing facilities, have rendered the business more self-contained than in the past, so that Byers is better able than ever to handle the increased volume of orders consequent on the successful development of the Aston process. The outcome should be definitely known during the course of 1928, and if expectations are realized the common stock, currently in the 90s, can hardly fail to attain an unusual degree of activity.

B. F. Goodrich

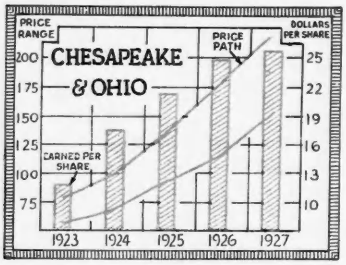


THE element of irregularity in earnings is a highly important factor in preventing a stock from attaining the market level to which it would be entitled on the basis of the company's performance during a single favorable year. The B. F. Goodrich Co. has a very large potential earning power, but like all tire and rubber manufacturers is subject to the vicissitudes of rapidly changing conditions in the trade in respect to both raw materials and finished products, with the result that operations in recent years have been very much of the feast or famine variety. Common share earnings of over $20 in 1925 were converted into a deficit the following year as far as actual operating income applicable to the common was concerned.

Recognition of the possibility of such a reversal was responsible for keeping the common below a price of 75 even during the substantial earning period.

Once more Goodrich is showing results more in line with its possibilities, and without the benefit of any upward revision in tire prices. Indications point to common share earnings for 1927 of at least $14. The company continues to occupy one of the strongest positions in its field, and is virtually certain to reap a fair share of whatever profits are available to the industry. For the first time since the war it appears able to operate without the handicap of a violently unstable crude rubber market, to which could be largely attributed the poor showing in 1926. The stock in recent weeks has broken away from its old range and come within striking distance of the 100 mark, due, no doubt, to a general belief that current earnings are more representative than heretofore of what is to be expected in future. If this is the case, and with any change in tire prices likely to be favorable rather than otherwise, the stock has by no means exhausted its full market possibilities, and may well achieve a degree of activity far greater than in past years.

Chesapeake Corporation

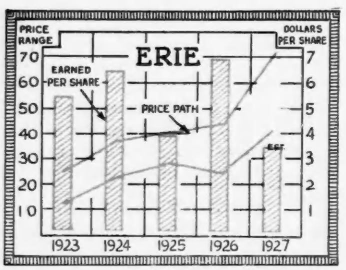


ALTHOUGH its market movements are predicated on the action of another stock, Chesapeake Corporation shares are virtually certain to reflect in a considerably greater degree any activity in Chesapeake & Ohio common, by reason of the lower priced unit of purchase provided by the holding company stock. The average purchaser, if he can derive the same relative benefits, will naturally select an issue selling around 80 to one quoted above 200. Chesapeake Corporation exists solely for the purpose of holding 600,000 shares Chesapeake & Ohio common, representing a majority of the latter, acquired from the Nickel Plate and affiliated interests.

The parity ratio of Chesapeake Corporation stock to Chesapeake & Ohio common is variable but at present levels for the railroad shares is about 43%, increasing rapidly, however, as Chesapeake & Ohio advances. With 900,000 shares of the former against holdings of 600,000 shares of the latter, the ratio would be 66 2/3% were it not for 48 million bonds outstanding, but it will tend to approach that figure as the bonds are gradually retired from year to year through sinking fund operations. It is also necessary to consider the equity in undistributed earnings of Chesapeake & Ohio, which on a conservative estimate for 1927 will amount to at least $11 a share on Chesapeake Corporation stock, over and above the $3 dividend now in effect. On the present basis the ratio of share earnings between the two stocks is about 55%, although this too is subject to change in accordance with variations in earnings.

Chesapeake Corporation stock is in line for relative enhancement in value as compared to Chesapeake & Ohio common, and would accordingly present attractive features even if the railroad stock should remain stationary. Despite a price of over 200, however, the latter has been accorded only moderate recognition of its remarkable earning power, a situation which should redound to the benefit of Chesapeake Corporation in cumulative fashion.

Erie Railroad

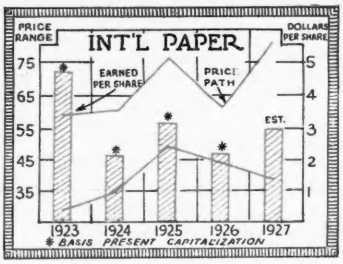


THIS old speculative football has had its periods of market activity many times in the past, but not for a great many years has prospective sustained activity been supported by actual accomplishments in the affairs of the road to the extent likely to prevail from now on. The rehabilitation of Erie may be divided into two principal stages. The period since 1923 has witnessed a definite turning of the corner, the restoration of credit, and elimination of all threat of receivership. The second stage, now under way, should logically be one in which the advantages already gained will be consolidated and the road work itself into a position to restore preferred dividends after a twenty-year lapse, and eventually to build up its earning power to a point to render practicable a dividend on the common stock for the first time in its history.

The favorable outlook for Erie is not contingent upon the successful consummation of the pending unification with Chesapeake & Ohio and Pere Marquette, placing it under definite control of the former. There is no certainty that this plan will be sanctioned by the Interstate Commerce Commission, but the Nickel Plate interests, who are the principal promoters of the unification, will remain dominating factors in the affairs of Erie in any event, and Erie is now in a position to stand on its own feet under an independent status.

The fundamental strength of Erie common lies in the potential position of the road as one of the few New York-Chicago trunk lines, progress in developing new traffic and in lowering operating ratio, retention of all surplus earnings for many years past, and the absence of accumulated obligations on prior securities. The elements of market leadership contained in the shares should make themselves felt with increasing force.

International Paper

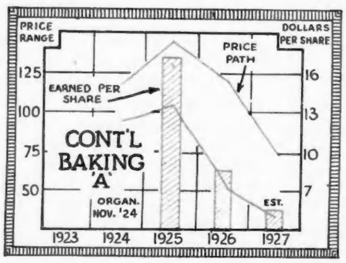


THE spectacle of a stock selling in the seventies and barely earning its dividend of $2.40 per annum is not on the surface prepossessing, but conditions governing the status of International Paper are decidedly unusual, and it cannot be judged by ordinary standards. It is of course selling primarily on future prospects, but it is a case where such prospects are pretty clearly defined and reasonably certain to eventuate sooner or later, the principal question being in respect to the amount of time required. The shares have already shown evidences of potential market leadership, and its long term trend of activity should be on a continually rising scale pending the development of substantially greater earning power.

A few years ago, following the sharp reversal in earnings incident to the termination of war-time conditions, the company instituted revolutionary changes in its physical structure, at the same time embarking upon a comprehensive expansion program, and is still undergoing a protracted period of transition. It stands today as the largest paper manufacturer in the world, with newsprint the predominant product. Newsprint plants are now all transferred to Canada in order to take advantage of the greater raw material facilities. In addition to the increase in scope of manufacturing operations, expansion has taken other forms which are in line to become an important source of added profits, principally in connection with extensive water-power development and the ownership of vast areas of timber lands.

Overproduction of newsprint has been a handicap in the development of larger earnings and will most likely continue to be a factor for some months yet, although low prices will be offset to some extent by the constantly increasing earning power in other branches of the business. International Paper is approaching a stage where tangible returns from property expenditures are likely to manifest themselves on an increasingly larger scale.

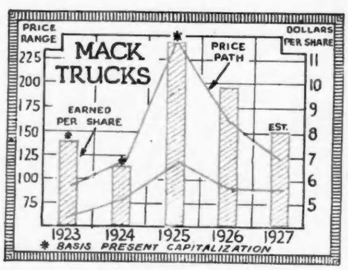
Continental Baking



THE Class A common stock of Continental Baking is an example of a promising issue of a new organization which was greatly overexploited before having any opportunity to pass through a period of seasoning. Its inflation was due to extreme public enthusiasm in regard to baking stocks of all kinds and descriptions, and in particular to negotiations under way for a huge merger among some of the leading units in the industry, subsequently abandoned owing to action on the part of the government. This adverse turn in the state of affairs, followed by a reduction in the annual dividend rate from $8 to $4, precipitated a break which eventually carried the price down more than 100 points, from which the recovery so far has been only moderate. In the meantime, important changes in the internal organization of the company have taken place, and it now appears that the chances of living up to early expectations, although in more conservative fashion, are far greater than heretofore.

Steps are being taken by the new management to weed out less profitable territory, and far greater attention is being paid to financial stability, the working capital position having been materially improved within a short space of time. Earnings for 1927 are expected to cover preferred and Class A dividend requirements by a slight margin. Pending further rehabilitation, the present $4 rate is in the nature of a concession to stockholders and will be maintained if possible, although even if omitted temporarily it would indicate no fundamental weakness. Indications point to a considerable degree of activity in the shares when the upward trend of earnings again begins to assert itself.

Mack Trucks, Inc.



IN the case of Mack Trucks, Inc., common stock, it is a question of the chances for resumption of market leadership rather than one of achieving that distinction for the first time. There were few issues which enjoyed such popularity in the 1925 market and for a while thereafter. So rapid was the expansion in sales and profits that it seemed as though the shares were definitely committed to an unceasing upward trend, and the sudden reversal which developed during 1926 consequently came as a considerable shock. It was due to a decision on the part of the management to stiffen the credit requirements governing time purchases in order to forestall an unsound

(Please turn to page 556)

Money Prime Factor in Bond Market

Have Gilt-Edge Bonds Reached Their Peak?—Position of Foreign Issues—New Bond Offerings at Huge Proportions

By J. WILSON THORNE

EVENTS during 1927 in the bond market have materialized pretty much as anticipated. The high-grade division of the market has about held its own, indeed, has increased moderately to a new peak. (Please see graph.) Medium grade bonds have fluctuated more or less in accordance with the earnings status of the respective companies, some issues have scored substantial advances and others have lost considerable ground, especially in the competitive industries.

Generally speaking, money held during the year at around the 4-4¼% level, a sufficiently low rate to facilitate new financing and to maintain a high average level for bond prices. Yet the rate did not decline sufficiently to bring about a genuine broad movement in the fixed-income paying securities. On the whole, allowing for moderate price increases here and there, the result was about a stand-off.

Loans on Securities Rise

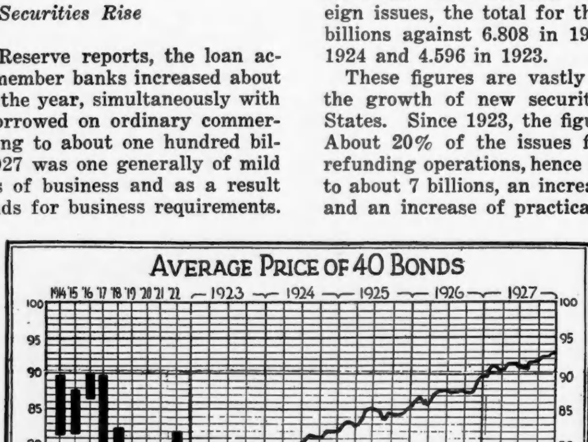
According to Federal Reserve reports, the loan account on investments of member banks increased about one billion dollars during the year, simultaneously with a reduction in amount borrowed on ordinary commercial transactions amounting to about one hundred billion dollars. The year 1927 was one generally of mild recession in various lines of business and as a result produced a surfeit of funds for business requirements. The amount that would ordinarily have been drawn into business use was siphoned off into the security markets. A very large part of the increase in loans, of course, represented purely stock transactions but there was also a large percentage entering into new bond financing. While not generally regarded as such, 1927 proved a year of exceptional activity in refunding operations through new bonds and also in respect to the amount of straight new financing.

Amount of New Security Issues

The amount of new long-term bond issues for the first eleven months of the year was 3.277 billion dollars against 2.648 for the same period of 1926. Issues sold in refunding operations amounted to 1.361 billions for the same period against 694 millions the year previous. The total of new bond issues for the eleven months of 1927, therefore, was 4.639 billion dollars against 3.332 billions in 1926. The totals for the same period of 1923, 1924 and 1925 were respectively as follows: 2.142, 2.328 and 2.724 billions. The figures given refer only to long-term issues which, of course, were greatly in the preponderance.

Short term bonds and notes for the eleven months of 1927 amounted to 326 millions against 259 the year before. New stock issues totaled 1.484 billions compared with 1.222 in 1926. Total bonds and stocks (domestic) amounted to 6.449 billions against 4.874 in 1926. For 1923, 1924 and 1925 the combined totals of stocks and bonds issued amounted respectively to 2.956, 3.465 and 4.219 billions. Adding Canadian and foreign issues, the total for the eleven months was 8.823 billions against 6.808 in 1926, 6.395 in 1925, 5.841 in 1924 and 4.596 in 1923.

These figures are vastly illuminating as indicating the growth of new security offerings in the United States. Since 1923, the figure has practically doubled, About 20% of the issues floated in 1927 represented refunding operations, hence new capital issues amounted to about 7 billions, an increase of 1.2 billions over 1926 and an increase of practically 3 billions over 1923.



During the years 1923-1927 (11 months) the aggregate of all financing in the United States was 32.4 billions of dollars, of which refunding operations amounted to 5.0 billions leaving about 27.4 billions as representing the new amount of capital issues floated in the United States during the past five years, figuring on an 11-month basis. Were December added to these years the total would average about 10% higher.

The significance of these figures lies in the fact that the United States is rapidly mortgaging itself to an unprecedented scale. New industries are being financed on a tremendous level, foreign

issues are running into hundreds of millions annually, new plans for capital expansion on the part of large corporations are consuming credit on a huge scale.

This, of course, is typical of the period of prosperity through which we have passed during the past few years. But the question may legitimately be asked whether the rate of new security issues is not too rapid even for our unquestioned growth of prosperity. Ultimately, a period of business recession will set in bringing in its wake a period of smaller earnings. Should this period be protracted it would have a decided effect on the investment position of numbers of the more speculative issues distributed to the public in the past few years. While the question raised has no immediate application, it certainly does involve the position of the bond market during the next few years and it should not be ignored by investors.

General Outlook

Fundamentally, of course, the outlook for bonds will be predicated on the combined influence of the money situation and commodity price outlook. To a certain extent it is compromised by the extreme activity in the stock market and the high prices of stocks.

During the earlier part of the year, it is probable that money rates will average somewhat higher than the prevailing 4-4¼% level. The Federal Reserve Board will probably find it necessary to raise the rediscount rate both as a warning against the excessive stock speculation and also to force funds out of the market into business for which the outlook for an increase in activity now seems promising.

A minor raise in money rates would have no appreciable effect on bond prices except possibly to postpone advances for a time where such advances due to special reasons would be warranted. A raise of one-half of a per cent, say to the 4½-4¾% level would undoubtedly cause a recession of several points on the average. Hence, no important upturn in bond values can be expected in the early months of 1927, but since the fundamental money factors are working in the direction of low rates, it would seem likely that bond prices will easily recover from any setback they may experience in the near future.

Commodity Prices and Bonds

Recovery in commodity prices (*Please turn to page* 552)

Bond Buyers' Guide

Bonds for Income Primarily

GOVERNMENT ISSUES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 (a)	....	....	....	100	6.00	6.00
Chile 6s, 1960 (a)	....	....	100	91½	6.52	6.63
Dominican Rep. 5½s, 1942 (a)	6.4	....	101G	99	5.55	5.57
Haiti 6s, 1952 (b)	....	....	100G	100¼	5.99	4.98
Panama 5½s, 1953 (a)	....	....	102½G	103	5.33	5.25
RAILROAD ISSUES						
Cuba R. R. 1st 5s, 1952	....	3.80	....	98⅛	5.09	5.15
Central of Georgia, Ref. 5½s, 1959	31.1	1.74	105G	107¼	5.12	5.05
Chicago & West. Ind. 1st Ref. 5½s, 1962	60.1	X	105	105⅛	5.22	5.18
Erie & Jersey, 1st 6s, 1955	....	1.61	115	115	5.21	5.03
Great Northern, Gen. "A" 7s, 1936 (b)	139.8	2.67	....	115¼	6.05	4.70
Kan. City Sou., Ref. & Imp. 5s, '50	30.0	2.07	105A	102½	4.86	4.82
Minn., St. P. & Sault, 1st Con. 5s, 1938	....	1.19	....	99	5.05	5.15
Norfolk & Southern, 1st 5½s, 1961	3.8	1.21	105	96½	5.18	5.75
Peoria & Pekin Un. Ry., 1st 5½s, 1974	....	2.04	105G	107⅛	5.13	5.12
Rock Isl., Ark. & La., 1st 4½s, '34 (b)	....	1.53	105T	98⅛	4.59	4.83
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952	45.3	2.05	....	102	4.91	4.86
PUBLIC UTILITIES						
Amer. W. W. & Elec., Coll. 5s, 1934 (b)	....	1.34	102¼	101	4.92	4.85
Brooklyn City, 1st Con. 5s, 1941	....	3.48	....	94½	5.29	5.58
Hudson & Manh., 1st Ref. 5s, 1957 (b)	5.6	2.01	105	101½	4.84	4.82
Indiana Nat. Gas, Ref. 5s, 1936	....	2.00	....	99⅝	5.02	5.06
Louisv. Gas & El., 1st Ref. 5s, 1952 (b)	1.2	2.34	110T	104½	4.76	4.69
New Orleans Public Service, 1st Ref. 5s, 1952 (b)	10.5	1.70	105T	98¾	5.07	5.07
N. Y. Steam Corp., 1st 6s, 1947 (a)	....	2.05	107½GT	108½	5.51	5.30
Pacific Gas & Elec. Gen. & Ref. 5s, 1942	40.3	2.00	105T	103½	4.84	4.70
Public Service of N. J., Sec. 6s, 1944 (a)	....	2.75	107½T	107¼	5.57	5.35
Rochester Gas & El., "C" 5½s, 1948 (a)	12.5	2.08	105GA	106½	5.16	5.00
INDUSTRIALS						
Bethlehem Steel, P. M., 5s, 1936	5.1	2.20	105	102¼	4.89	4.73
Brier Hill Steel, 1st 5½s, 1942 (a)	....	4.00	105	105	5.22	5.02
International Paper, 1st 5s, 1947	....	7.26Y	102½	102	4.90	4.82
Mortgage Bond, 5s, 1932 (b)	....	1.68	100	98½	5.10	5.40
Schulco "A" 6½s, 1946 (a)	....	X	103T	103½	6.27	6.22
Sinclair Pipe Line, 5s, 1942 (a)	....	4.46	103	94	5.27	5.63
U. S. Rubber, 1st 5s, 1947 (b)	2.6	2.91	105T	95¾	5.26	5.35

Bonds for Appreciation of Principal Primarily

RAILROADS	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Atlantic & Danville, 1st 4s, 1948	....	1.79	....	83	4.83	5.40
Central New England, 1st 4s, 1961	0.2	0.78	105	86¼	4.65	4.85
Chicago Gt. Western, 1st 4s, 1959	....	0.97	....	72¼	5.53	5.95
Erie, Gen. Lien 4s, 1996	91.6	1.46	....	85⅝	4.65	4.70
Mississippi Central, 1st 5s, 1949 (b)	....	1.36	110A	99⅞	5.00	5.00
Missouri Pacific, Gen. 4s, 1975 (a)	10.4	1.28	100A	83¾	4.83	4.91
New Haven, Non-conv. Deb. 4s, 1956	49.4	1.48	....	86	4.65	4.90
Northern Ohio, 1st 5s, 1945	....	2.60	....	99½	5.00	5.00
Seaboard Air Line, Ref. 4s, 1959	46.4	1.25	105A	71¾	5.57	5.98
Texarkana & Ft. Smith, 1st 5½s, 1950	....	2.02	107½A	106½	5.15	5.01
Western Maryland, 1st 4s, 1952 (b)	2.3	1.24	....	87	4.59	4.90
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968 (b)	....	1.52	105	96¾	6.20	6.22
Market St. Ry., 1st 7s, 1940 (a)	....	2.22	106½T	99½	7.07	7.10
Montreal Tram., 1st & Ref. 5s, 1941 (a)	....	1.31	105A	100⅞	4.92	4.90
Sierra & San Francisco, 1st 5s, 1949	....	1.78	105	101¾	4.87	4.88
Utah Power & Light, 1st 5s, 1944	....	1.97	110	101¾	4.92	4.87
INDUSTRIALS						
B. F. Keith, 1st & Gen. 6s, 1946	4.8	4.16	104T	100¾	5.94	5.91
Pressed Steel Car, Conv. 5s, 1933	....	3.30	100	99¾	5.02	5.03
Morris & Co., 1st 4½s, 1939	....	NS	103	86¼	5.20	6.25
Walworth Co., 1st "A" 6s, 1945 (a)	....	2.73	104½T	96	6.25	6.35
Webster Mills, 6½s, 1933 (c)	....	2.44	106½T	96	6.75	7.45
American Chain, S. F. 6s, 1933 (a)	....	6.84	105	104½	5.73	5.08
American Type Founders, 6s, 1940	....	3.84	105	105½	5.69	5.33
California Petroleum, Conv. 5s, 1939 (a)	....	11.56	103T	96	5.20	5.48
Dodge Bros. Conv. 6s, 1940 (a)	....	9.97	110T	90¼	6.63	7.20
White Sewing Machine, 6s, 1936 (b)	....	5.60	105	†100⅝	5.96	5.87
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, '29	31.1	2.11	102T	101⅞	5.89	4.70
Sloss-Sheffield P. M. 6s, Aug. 1, 1929	1.7	4.55	105	103	5.83	3.92

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

Y—Recent earnings about 2.16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market. † Without warrants.

Contrasts in Preferred Stocks

Less Attractive Position of High Grade Issues — Suggestions for Investors

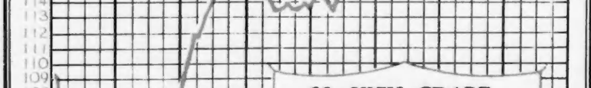
FROM the strictly investment viewpoint, preferred stocks offer a somewhat more promising field than bonds under existing money and security market conditions. Even the vast majority of second or medium grade bonds have been forced, by the competition of buyers, to levels where there are relatively few opportunities for "sweetening" the income return upon an investment list through the inclusion of such securities.

The case with preferred stocks, however, is more favorable. This situation arises out of the very nature of this type of security. Of course, the senior stock issues of what may be termed "old line" railroad and industrial companies are in much the same position as their bond obligations. High equity protection and a thoroughly established earning capacity have set these standard preferred stocks upon a level very closely akin to that of the average run of better grade bonds. At the same time, the restoration of railroad credit, on the one hand, and a prolonged period of relatively stable earnings, affecting both the strong rails and industrials alike favorably on the other, have made the older, well seasoned preferred shares still more desirable as vehicles for the investment of capital.

Yields Low

The merits of this particular class of stocks, however, are so obvious and so generally well known to the rank and file, that investors are apt to find little or nothing in the way of striking yields among this group. Such stocks are governed solely by the two major controlling influences, movements of money rates and commodity prices. Since the depression of 1921, the price trend of high grade preferreds has faithfully followed that of the bond market. Subject to inconsequential reactions, the average market value has risen by steady stages until, within the past year, it has established a new record high.

It is extremely doubtful that the same proportionate progress will be made during the ensuing year. In fact, the probabilities would rather seem to favor a mild retrogression, or at any rate, stability at an average price level closely approximating that now obtaining. This conclusion is suggested by the evident hardening of commodity prices, in the aggregate, after a long season of gradual sag, as well as by inferences which may be drawn from recent developments in respect to the domestic money markets.



But, though there appears little definite prospect of material price enhancement among high grade preferred stocks, there remains an advantage in retaining some percentage of such issues in an investment portfolio for the sake of diversification, particularly where the fund is of substantial size. Being closely held, there is no ground for supposing that any great quantity of quality preferred shares will come to market on such recessions as may be anticipated.

If, however, as now seems not improbable, the Reserve banks should adopt a less benevolent attitude in respect to credit expansion, the smaller investor is likely to find a better refuge in middle grade stocks than among those where permanency of holdings is a greater consideration than ample yield.

Not So Effective on Middle-Grade Securities

While the maintenance of a "cheap money" policy by the central banks has tended to provide the principal stimulus to rising prices for higher grade securities, the effect of this factor is less pronounced as one approaches the speculative types. Though the element of risk, and hence the possibility of loss, increases as quality decreases, opportunities for profit are also greater in the case of middle grade and speculative preferred shares.

Successful investment in the latter type of securities presupposes a considerable degree of discrimination and a reasonable analytical ability on the part of the buyer, since the lower grade issues are more or less sensitive to general stock market fluctuations and follow changes in earning power of the individual companies rather closely. This is a characteristic which arises from the fact that the security of preferred dividend payments depends almost entirely upon maintenance of a fair margin of income over dividend requirements. True, strong companies may continue to make disbursements to senior shareholders even where this situation does not prevail. Abundant working capital or surplus earnings, accumulated during former periods of prosperity, may enable them to tide over a lean season of not too long duration.

When this point is reached, it requires a careful study of industrial conditions to determine whether or not an opportunity for profitable investment is being presented. The consequences attending an omission of pre-

ferred dividends have none of the disastrous effects which follow a default in bond interest. Preferred shareholders, having this fact constantly in mind, are apt to be more timid than bond buyers. In other words, they are more prone to liquidate at the first scent of danger. Accordingly, preferred stocks in the middle grade and speculative groups are subject to fairly wide price movements that often have no direct relation to credit conditions or even to price movements of the security markets as a whole.

Special Requirements

The alert investor may thus frequently acquire desirable issues to advantage. He must be something of a specialist who, by a thorough knowledge of individual companies, can determine what stocks to select and when to buy them. Obviously, his choice will lean toward those representing industries which are either coming out of a slump or dullness, into a period of prospective betterment.

The reward for alertness and discrimination will be not only yields above the average, but occasional profit through price enhancement which, though it cannot be great in the case of the ordinary preferred stock, may, nevertheless, be sufficient to materially enhance the average income return on principal.

Inasmuch as the general run of public utility and railroad preferred stocks have reached a level of noteworthy stability, it is apparent that the more attractive field for operations in lower grade issues now lies in the industrials. Competitive business conditions, changes in control and consolidations tend to make for the sort of variations in this quarter which create the opportunities referred to above.

Issues May Be Called

Whatever the class of preferred stock selected, the investor should not lose sight of the fact that the majority of them are subject to redemption at the will of the issuing corporation. During an era of low money rates, such as that of the last few years, many companies have been able to retire outstanding bonds and preferred stocks on terms resulting in a material reduction of fixed charges. Sometimes these readjustments of capital structure have been affected by redemption of callable bonds or

(*Please turn to page* 565)

Preferred Stock Guide

THESE stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Year Average	Redeemable	§ 5-Year Price Range High	Low	Recent Price	Yield %
RAILROADS							
Baltimore & Ohio	4 (N)	7.8	No	73	52	82	4.9
Chicago & North Western	7 (N)	6.2	No	126	97	149	4.7
Colorado & Southern 1st	4 (N)	8.9	100	66	47	78	5.1
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	F106	F83	110	5.5
Pere Marquette Prior	5 (C)	10.2	100	96	63	99	5.1
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	S4.6	110	X104	X92	110	5.5
Hudson & Manh. R. R. Conv.	5 (N)	5.9	No	80	25	89	5.6
North American	3 (C)	7.3	55	52	38	54	5.6
Philadelphia Company	3 (C)	6.5	No	51	41	52	5.8
Public Service New Jersey	8 (C)	3.0	No	124	95	134	5.9
INDUSTRIALS							
American Smelting & Ref.	7 (C)	3.3	No	122	86	133	5.2
American Steel Foundries	7 (C)	7.4	110	115	97	114	6.3
Associated Dry Goods 1st	6 (C)	4.8	No	102	75	111	5.4
Baldwin Locomotive	7 (C)	3.3	125	119	104	120	5.8
Brown Shoe	7 (C)	4.4	120	111	85	120	5.8
Endicott Johnson	7 (C)	4.9	125	120	104	123	5.6
General Motors	7 (C)	12.0	125	122	79	125	5.6
Inland Steel Co.	7 (C)	F8.0	115	F115	F96	116	6.0
International Silver	7 (C)	2.8	No	108	90	125	5.6
Studebaker Corp.	7 (C)	26.8	125	125	100	123	5.6

For Income and Profits

SOUND INVESTMENTS

	Div. Rate $ per Share	Div. Times Earned— 5-Year Average	Redeemable	§ 5-Year Price Range High	Low	Recent Price	Yield %
RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	75	5.3
Kansas City Southern	4 (N)	4.8	No	68	52	73	5.5
St. Louis-San Francisco	6 (N)	12.0	100	97	34	101	5.9
St. Louis Southwestern	5 (N)	2.6	No	80	32	94	5.3
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	H3.3	100	H89	H48	84	7.1
Continental Gas & Elec.	8 (C)	T4.0	110	T105	94	109	7.3
Electric Power & Light	7 (C)	1.7	110	99	89	107	6.5
Engineers Public Service	7 (C)	S2.4	110	X99	X94	108	6.5
Federal Light & Traction	6 (C)	5.0	110	H91	H74	99	6.1
Kansas City Pr. & Lt.	7 (C)	T3.1	115	F110	F91	115	6.1
West Penn Electric	7 (C)	....	115	X102	X95	112	6.3
Standard Gas & Elec.	4 (C)	2.5	No	57	41	65	6.2
INDUSTRIALS							
American Cyanamid	6 (C)	3.6	120	96	52	97	6.2
American Metal Co., Ltd.	7 (C)	8.0	110	120	103	111	6.3
American Sugar Refining	7 (C)	1.6	No	110	84	109	6.4
Associated Dry Goods 2nd	7 (C)	6.9	No	110	76	114	6.1
Bethlehem Steel Corp.	7 (C)	3.1	No	105	87	120	5.8
Bush Terminal Buildings	7 (C)	1.1	120	103	87	116	6.0
Central Alloy Steel	7 (C)	....	110	X107	X106	107	6.5
Cuban American Sugar	7 (C)	6.9	No	106	68	104	6.7
Deere & Co.	7 (C)	F1.7	No	110	61	119	5.9
Devoe & Raynolds 1st	7 (C)	T6.1	115	F100	F90	108	6.5
Genl. American Tank Car	7 (C)	3.3	110	109	86	110	6.4
Gimbel Brothers	7 (C)	4.2	115	114	93	95	7.4
Goodrich (B. F.) Co.	7 (C)	3.1	125	102	67	110	6.3
Pillsbury Flour Mills	6½ (C)	....	110	‡109	‡104	108	6.0
Reid Ice Cream	7 (C)	T6.9	110	T100	T92	110	6.3
U. S. Cast Iron Pipe	7 (N)	5.0	No	118	50	122	5.7
U. S. Industrial Alcohol	7 (C)	4.3	125	115	89	119	5.9

SEMI-SPECULATIVE

	Div. Rate $ per Share	Div. Times Earned— 5-Year Average	Redeemable	§ 5-Year Price Range High	Low	Recent Price	Yield %
RAILROADS							
Gulf, Mobile & Northern	6 (C)	1.6	No	109	16	107	5.6
Wabash "A"	5 (N)	....	110	78	19	93	5.4
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	T97	80	109	6.4
Consolidated Cigar	7 (C)	4.4	110	107	47	99	7.1
Goodyear Tire & Rubber	7 (C)	....	....	....	...	98	7.1
International Paper	7 (C)	1.6	115	T100	T86	107	6.5
Mid-Continent Petroleum	7 (C)	8.1	120	109	80	105	6.7
Orpheum Circuit Conv.	8 (C)	3.0	110	107	84	104	7.7
Radio Corp. of America	3.5 (C)	F3.6	55	F54	F40	55	6.3
U. S. Smelt., Ref. & Mng.	3.5 (C)	1.2	No	50	38	54	6.4
Universal Pictures 1st	8 (C)	7.6	110	T103	T90	100	8.0
Victor Talking Machine Prior.	7 (C)	S5.4	115	‡100	‡97	102	6.9

† Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year. X—Price range 1926. § 1922-1926. C—Cumulative. N—Non-cumulative. ‡ 1927.

Railroad Stocks in Strong Position

Despite Setback in Earnings the Group Is Attractive—Dividends Well Covered and Prospects for Increases in Some Cases

By J. T. MOLL

RAILROAD stocks did not feature the market during 1927 but nevertheless there was a steady upward movement which resulted in an average appreciation of about 20% in railroad stock prices during the year. The industrials provided the fireworks but it was the rails which supplied a stabilizing factor which contributed materially in preventing any serious and prolonged reaction in the case of industrial stocks. In other words the general confidence in railway shares was an important buoying factor to the whole market as one could always defend their price levels without resort to hopes and fancies.

The upward trend of rail prices in the early part of 1927 was principally caused by the working of two different factors, one the wider recognition of the value of railroad stocks and the other the prevalent ease of interest rates and bond yields which caused investors to look elsewhere for income producing media. Railroad earnings were generally lower in 1927 than in 1926 but earnings were still high in relation to the market price of rail shares. Throughout the year railroad stocks in general sold at less than ten times the indicated earnings for the year.

Earning Prospects

Traffic and earnings for the whole of 1928 will probably exceed 1927, the first half probably slightly under 1927 and the second half substantially in excess of the similar period of the previous year. It is doubtful that freight tonnage will reach the abnormal levels of 1926 which was an outstanding peak year in traffic history. Some sections have an especially bright outlook. Among these the northwest stands out preeminently as its purchasing power has been greatly augmented by the 30% greater value of farm products in that section as compared with 1926. Prospects of the southeastern roads are also good because of the substantial rise in value of the 1927 cotton crop over that of 1926 and also because of the pronounced movement of new industries into that section of the country. Another gratifying feature of the position of the southeastern territory is the growing tendency of farmers toward crop diversification so that they are no longer as dependent upon cotton as was the case a few years ago. There should not be great differences in traffic in other sections of the country as the result of changes in agricultural conditions.

Yields Compared

The average yield on a group of high grade railroad stocks including Atchison, Canadian Pacific, Illinois Central, Louisville and Nashville, New York Central, Norfolk and Western, Pennsylvania, and Union Pacific, is now 5.03%. The average yield on a group of high grade railroad bonds is 4.19% so that an investor in the stocks receives an income approximately 20% larger than if his money were placed in the bonds. This is not an abnormally low yield for the stocks as compared with the bonds for there have been instances in the past when high grade railroad stocks have yielded less than railroad bonds, such a condition being reasonable at times when earnings were sufficient to warrant and indicate higher dividends.

Dividends among the leading rails are well supported at present, earnings available for common stock having been approximately 75% over dividends in 1927. Dividend increases and stock split-ups in the case of investment railroad stocks are quite probable in the next five years as a normal expansion in earnings over 1927 is to be expected since last year was not a boom year and yet railroad dividends were conservatively covered in that period.

Operating Efficiency

By virtue of the fact that the volume of freight traffic has shown a substantial increase in the last five years, and in addition great strides have been made in efficiency of management, the operating ratios of the carriers have displayed most encouraging declines. Further reductions should be achieved as traffic expands. Of course a widespread lowering of freight rates would prevent such results being attained but such action is unexpected and would be deplored as the present favorable position of rails is the consequence of years of splendid thought and devotion on the part of the managements which were not commensurately rewarded in the meantime.

As to the outlook for railroad shares during 1928, it would be surprising should a runaway bull market develop because of the present conservative nature of railroad securities, but is is quite probable that the trend will be gradually upward, interrupted at times by reactions in sympathy with occasional downward movements of the industrial list. There are good prospects for increased earnings especially in the northwest and southeast where last year's crops were highly profitable, and in north central part of the country which will benefit from the traffic which will come from an increase of automobile production.

There is a tremendous amount of money available for investment in this country as (*Please turn to page 557*)

The Position of Twenty Rail Stocks

	Operating Ratio 1926 %	Times Fixed Charges Earned 1927 (est.)	Earnings per Sh. Common 1926	Earnings per Sh. Common 1927 (est.)	Recent Price	Present Divid'd (a)	Yield %	COMMENT
Atch., Topeka & Santa Fe	65.2	5.4	$23.42	$19.00	$192	$10	5.2	Earnings in 1927 remarkably close to 1926, when allowance is made for difference in maintenance charges. An excellent stock with dividend liberally covered.
Atlantic Coast Line	72.8	2.3	20.50	12.50	186	10	5.4	Equity in surplus earnings of subsidiaries about $7 per share in 1927. A good stock with a bright future selling at a reasonable price. Strong probability of higher earnings in 1928.
Baltimore & Ohio	73.8	1.7	12.51(b)	10.00	116	6	5.2	A stock with good market possibilities. Company had equity in undistributed earnings of other roads amounting to about $2.50 per share in 1927. Could pay $7 and sell higher.
Chesapeake & Ohio	67.9	4.7	24.75	24.00	204	10	4.9	Earnings of 1927 compare more favorably with 1926 than most other roads of country. Could pay higher dividend. Stock in a strong position. Has important equity which does not appear in income account.
Chicago & Northwest ...	78.1	2.0	6.92	6.00	85	4	4.7	Outlook is for increased earnings in 1928. Room to discount improvement in earnings and acquisition by Union Pacific would greatly benefit the stock. Should be held.
Chic., R. I. & Pac.......	75.0	2.1	10.67	11.50	109	5	4.6	One of the few stocks to show better net income in 1927 than 1926. A company with good prospects. Dividend could well be increased to $6 or possibly even $7.
Erie	79.0	1.3	5.00(b)	2.00	64	..	..	Stock relatively high on basis of earnings but outlook for higher profits resulting from increased economy, growth and merger is the sustaining factor in the price.
Great North. Pfd.	64.1	2.3	10.42(e)	8.25(e)	98	5	5.1	An attractive stock with price well supported by earnings. Territory prospering at present.
Illinois Central	76.9	1.7	12.10	8.50	133	7	5.3	Stock selling high in relation to earnings. Suitable mainly as an investment.
Louisville & Nash.	76.4	2.5	16.62	14.25	151	7	4.6	Earnings holding up well. Road is in growing section of country. Could increase dividend and sell higher. A good investment stock.
Missouri Pacific	76.8	1.3	6.09	2.00	50	..	..	Looks as though back dividends of 47½% on the preferred will be cleared up in near future. Operations and traffic adversely affected by floods this year. Preferred especially attractive.
New York Central	74.8	2.1	13.00(b)	13.00	163	8	4.9	An investment stock of high quality. Has substantial equities amounting to an additional $4 earnings per share. Stock attractive as a conservative investment or speculation.
N. Y., N. H. & H......	73.7	1.5	5.25	6.00	61	..	..	Company very successful in achieving increased economy of operation. Price of stock well justified with prospects for further gains on account of better earnings.
Northern Pacific	70.1	2.2	8.47	8.00	99	5	5.1	Road traverses section of northwest most benefited by the high crop returns of past year. Good opportunity for improvement in earnings. Price of stock well justified.
Pennsylvania	77.5	1.9	6.78	6.75	64	3½	5.5	One of the cheapest stocks in the list. Stock yields 5½%, earns directly over 10% on its market price and has important equity in earnings of Norfolk & Western. Very attractive as an investment.
Reading Company	74.0	2.7	11.23	7.75	102	5	4.9	Road and its subsidiaries in strategic position. Attractive for long pull.
Southern Pacific	72.2	2.3	11.29(c)	10.25	123	6	4.9	Road in fast growing territory. Has valuable miscellaneous investments and a high book value. Attractive as a long pull proposition. Dividend may be increased.
Southern Ry.	69.4	2.8	15.85(b)	14.00	146	8	5.5	Road has developed rapidly in last five years but its outlook is still bright. Stock yields 5½%. Dividends being well covered. Has equity in subsidiaries' earnings amounting to about $2 per share. A good stock to hold.
Union Pacific	65.0	3.2	16.64	15.75	192	10	5.2	This stock is a splendid investment. Its income is from diversified sources and is quite stable. Earnings are high in relation to the price of the stock and prospects for the road are highly promising.
Wabash "A"	73.2	1.9	11.86	8.06	93	5	5.4	Increased automobile production should be reflected in the road's income. The "A" stock gives a fair yield and through its participation privilege has the advantage of being able to share in any future prosperity of the road.

(a) Including extras which may be assumed as regular. (b) Earnings based on new capitalization for comparison purposes. (c) Includes income from non-transportation companies. (e) Earned on preferred, which is equity stock.

Progress Toward Stabilization in Utility Field

Increasing Selectivity Indicated—Consolidation and Integration Taking Place of Addition—Broad Forward Movement Continuing

By HOWARD D. FROTHINGHAM

LIKE the stock market as a whole, the market for the utility group showed considerable divergencies in price movement, as opposed to the almost uniform rapid advance which characterized 1925 and the early months of 1926. Marketwise, 1926 was characterized by a period of readjustment from the severe break of March of that year; in 1927, the same process was carried further, sound stocks were carried to new high levels and the weaker vessels were left behind or moved but slowly. Four or five important listed stocks suffered subtantial losses in the course of the year.

The factor of steadily falling investment yield, which had played a minor role in the previous year, came to full expression in 1927 and was largely responsible for the substantial appreciation in such stocks as American Telephone & Telegraph and Brooklyn Edison.

Both these factors should continue to operate in an important way in the course of the current year. There seems no indication that the tendency toward lower yields will be checked. Government bonds, many municipal issues and an increasing number of railroad and even utility bonds are continually reaching levels which render them more suitable for institutional than individual investment. The highly conservative large investor is therefore being almost driven to the use of the high grade common stock as a medium for the disposal of an increasing proportion of his funds.

This tendency is being assisted by the increasing popularity of the investment trust which both from good judgment and a desire to "window dress" creates a further demand for high grade utility stocks.

Price Outlook for Holding Company Stocks

In the more speculative section, typified by the stocks of holding companies, which control a more or less scattered variety of small operating companies in which the stockholder of the parent concern has only a thin equity, the sorting out process should continue to be especially marked in 1928. The basis of the price structure in this group is the assumption that earnings will continue to increase from year to year, will not decline substantially in the event of a business depression, and that, therefore, the present price may reasonably discount such developments for a longer period ahead than is usual in, say, typical industrial stocks. Assuming that a price of ten times earnings per share is a norm for the market price of a stock, such issues will often be found selling at fifteen to eighteen times latest recorded earnings.

If earnings may really be expected to increase in a reasonably short period, say, two to four years, to a point where they will equal 10% on the present market price, such prices may be justified. On the other hand, often, the present price discounts improvements too far ahead, or does not make sufficient allowance for disturbing factors, such as the necessity for large capital expenditures without immediate return, fluctuations in earnings, accrued tangible or intangible expenses, and the like, and prices in these cases may reasonably be expected to cause some disappointments in 1928.

Gas Securities

One branch of the utility group which should command increasing market interest as time goes on, is the gas business, and particularly, the natural gas division. It seems likely that increasing attention will be paid to the energetic and farseeing efforts of this industry to extend the uses for its product, to equalize the heavy seasonal fluctuations which have hitherto been a burden on overhead, to reduce costs, introduce important technical changes such as long distance pipe transmission, leading perhaps eventually to inter-connection, and to achieve greater economy and control with respect to raw materials, principally coal and natural gas wells.

It is by no means unlikely that 1928 will see the beginning of a public interest in gas securities analogous to, if perhaps on a smaller scale than, the awakening to the possibilities of the electric power and light industry which was one of the most spectacular features of the public utilities stock markets of recent years. The growing public participation in the financing of natural gas properties, principally through the medium of short term mortgage bonds or debentures, convertible, with stock bonus, or with stock purchase warrants attached, would be an effective prelude to such a movement.

Outlook for Tractions

In the traction field increased gross earnings can scarcely be looked for, taking the industry as a whole. Better service, more efficient management and coordination with the passenger bus should result in better net earnings, particularly in the larger cities. A moderate continuation of the movement toward higher fares where such are proven necessary and the community served considers the financial health of its traction system worth preserving, may be expected. New York City and Chicago remain the two great blots on the traction map, the former through a state of politically-conditioned muddle which has become chronic, and the latter because franchise difficulties have not been met and a system earning its interest charges by a substantial

FORECAST FOR 1928

(*Please turn to page* 560)

ties

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Market Status of Twenty Utility Stocks

	Total Capitalization (in Millions of $)	Last Reported Gross Earnings (in Millions of $)	Earned Per Share 1927 (Est.)	Earned Per Share 1926	Recent Price	Dividend	Yield %	MARKET POSITION
American & Foreign Power	133.6*	18.8	**1.45	0.45	23 (Ex rts.)	....	....	Expansion policy through new acquisitions; readjustment back dividends on pfd. improves financial position but dividends apparently still far off.
American Power & Lt.	425.0	59.4	4.95	4.62	67	1.00	1.49	Normal rate of growth somewhat held back by large investment in Florida properties; diversified holdings insure progress, dividend increase in time highly probable. Sound semi-speculation.
Am. Telephone & Telegraph Co.	2234.4	823.2	11.50	10.99	178	9.00	5.06	Bulk of business stable and little subject to general business fluctuations; spending over $300,000,000 a year for additions, betterments, etc.; a leader in research. Premier investment common stock.
American Water Works & Elec. Co.	333.4	45.1	a 1.44	0.92	60	0.80 + 2½% in stock	3.83	Electric business growing faster than water. Rapid advance has weakened speculative attraction and discounts great increase in earnings.
Brooklyn Edison Co.	120.4	34.0	N.I.R.	12.13	198	8.00	4.04	Splendid record of development with growth of population in territory served; earnings stable and increasing; present price, however, apparently discounts favorable factors.
Brooklyn Union Gas	112.8	27.6	N.I.R.	7.83	146	5.00	3.42	Business growing faster than territory served; merger with one or more other N. Y. C. utilities probable; funded debt reduced. Price now high but good for long pull.
Columbia Gas & Elec. Corp.	480.7	96.8	6.40	6.82	91	5.00	5.50	Consistent growth in highly industrialized territory should be continued, helped by acquisition important natural gas subsidiary; yield attractive in view stability of dividends.
Consolidated Gas Co. of New York	675.4	153.8	10.00	9.43‡	117	5.00	4.27	Benefiting from growth of both gas & elect. business in New York, particularly latter; modern equipment lowers costs down and improves earnings showing. Attractive investment.
Detroit Edison Co.	175.4	44.8	11.10	11.32	164	8.00	4.77	High grade local operating company with excellent management; future growth may be limited by high degree of saturation already attained; attractive as investment.
Electric Power & Light Corp.	258.4	52.1	†2.07	1.45	30	....	....	Rapidly developing field for services in growing sections of South. Has acquired valuable natural gas properties. Speculatively interesting.
Interborough Rapid Transit Co.	339.8	63.3	**4.20	6.98	32	....	....	Outlook uncertain, subject to politics as well as highly unfavorable attitude of Transit Commission. Highly speculative but sharp price decline strengthens market position.
Inter. Tel. & Tel. Corp.	174.0	22.7	9.00	‡4.33	150	6.00	4.00	Further expansion shown in foreign business; low apparent yield more than counterbalanced by valuable subscription rights. High grade investment for attractive long pull.
Manhattan Railway	$105.2	$18.6	2.33	3.68	79 (Guar.) 44 (Mod. Guar.)	$7.00	8.8	Dividend due Jan. 1st, 1928, deferred; insufficient earnings of I. R. T. render further reduction or elimination possible. City purchase only hope. Highly speculative.
National Power & Lt. Corp.	.....	40.5	†1.82	1.75	23	0.80	3.48	Operates in important key cities of Southwest; continued steady growth may be expected. Should share in utilities' advance.
North American Co.	760.2	121.8	†3.72	3.85	60	10% stock	10	Policy of paying stock instead of cash conservative and reflects continued increase in earnings. Present price somewhat high.
Pacific Gas & Elec.	335.3	51.0	2.90	2.54	48	2.00	4.17	Steady expansion in Pacific coast territory and acquisition of valuable property increasing earning power; future financing plans call for common stock offerings; price temporarily discounts future improvement.
Peoples Gas Lt. & Coke Co.	140.2	39.7	†10.22	11.04	161	8.00	4.96	Financial status improving through junior financing and improving earnings; promoting industrial uses of gas; net should increase faster than gross. Attractive for long pull.
Public Service Corp. of N. J.	555.6	113.5	2.50	2.44	42	2.00	4.76	Supplies diversified utility services to most of New Jersey; traction properties, still unprofitable; efforts to simplify capital structure held back by litigation. Fairly attractive.
Standard Gas & Electric Co.	835.4	166.5	5.20	4.25	59	3.50	5.94	Strengthened by acquisition Philadelphia co. etc.; gross and net increasing; sound financial structure precludes sensational advances but increases investment attractiveness.
Western Union	172.4	134.5	15.40	15.24	173	8.00	4.62	Large expenditures for construction increasing gross at small additional operating cost; radio limiting but not destructive. Reasonably attractive investment.

* Book value. ** Twelve months ending June 30, 1927. ‡ Equivalent on present capitalization. † Twelve months ending September 30, 1927. N.I.R.—No interim reports. ‡ Consolidated earnings. a Twelve months ending Aug. 31, 1927.

Fundamental Improvement in Copper

Financial Recovery of Europe an Important Factor in Potential Demand for Red Metal—Rise in Securities Explained

THE last few weeks of 1927 witnessed the first really sustained upward market movement in the common stocks of copper mining companies that has taken place for a long time. It was all the more notable in that it occurred at the close of a year in which earnings are virtually certain to compare unfavorably with those of the previous year, which on the whole were not in themselves impressive. 1927 results in their entirety were based on an extremely unsatisfactory copper market prevailing during the major portion of the year, and are hardly representative of the estimated showing for the final quarter or for the early months of 1928. The rise in copper securities, however, is all out of proportion to any improvement in earnings thus far displayed or in immediate prospect. It is rather in reflection of developments in the industry which foreshadows the attainment of a sounder fundamental position than at any time since the termination of the world war.

Two Main Factors

There are two factors primarily responsible for the present situation, the steady reduction in visible copper stocks on hand and the marked increase in European consumption of copper. Surplus stocks have been the bugbear of the industry ever since the great accumulation of supplies that developed when the close of the war brought with it a sudden cessation in the abnormal demand prevailing in the years preceding. The productive capacity developed during that period was partly responsible for an era of overproduction in the ensuing years, which of course rendered it all the more difficult to make any real progress in liquidating excessive stocks on hand.

Taking 1927 as a whole, production will probably be shown to have continued its upward trend, although on a more moderate scale, but the first six months contributed for the most part to this result, as, starting about the middle of the year, the rate of output waned appreciably in response to the decline in the price of copper well below the 13 cent level. Conditions in the industry appeared to be at a low ebb, but as a matter of fact this extreme weakness in the metal market really marked the turning point. Consumption of copper, especially from foreign sources, proceeded to outstrip production, and in a situation induced by smaller production and heavy consumption, the successive reductions in copper stocks, reported monthly since early in the year, finally began to make themselves felt in cumulative fashion as the year progressed.

It has long been evident that a genuine recovery of the copper industry must await a revival in European demand. Only the high rate of domestic consumption has saved the situation in recent years, but this has been insufficient in itself to absorb the heavy output. The fact that export shipments during the first eleven months of 1927 were about 22% greater than for the corresponding period of the previous year, in conjunction with supporting evidence, furnishes grounds for the belief that foreign consumption of copper has made a definite start towards reaching proportions more in line with what would have occurred in the absence of the economic and financial difficulties encountered in the post-war period. If this is the case, it goes a long way in explaining the rise in copper securities, as the fundamental improvement indicated is of far greater significance than the tangible benefits actually received up to date, and it is the broader aspects of the situation which are apparently being accorded stock market recognition.

Impetus to Foreign Buying

Considered in the light of potential rather than actual European demand thus far displayed, there is ample reason for optimism. While consumption of copper in the United States has more than doubled since 1913, European consumption has actually lost ground on the basis of 1926 data, which illustrates better than anything else the extent of the demand which must have accumulated simply from inability to finance purchases in the desired amount. Reduction in visible copper stocks in Europe during the past year has been even more pronounced than in this country, thus rendering acquisition of new supplies all the more essential.

Financial and economic rehabilitation in Europe has been a slow process, but, having progressed to a point where the return to the gold standard is becoming so prevalent, it is only natural that it should manifest itself in various ways, prominent among which is the greater facility provided for financing the purchase of much needed commodities of which copper metal is an outstanding instance. The impetus to foreign buying, therefore, appears to be something more than a transitory movement, in which event it should continue on an increasing scale and once more provide a dependable source of business to producers such as was the case in former years.

As has been pointed out many times in this publication, the industry has been gradually preparing itself for the long awaited resumption of demand from European countries. The protracted period during which the margin of profit has been so restricted has virtually compelled producers to utilize every means at their disposal to keep operating expenses at a minimum, and the larger companies in particular have realized the futility of maintaining operations at full capacity when the copper market was not such as to permit a fair return

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Position of Leading Mining Stocks

Company	Price Range 1926	Recent Price	Dividend	Yield	Common Share Earnings 1926	Common Share Earnings 1927	COMMENT
Anaconda	60-41	57	$3.00	5.3%	$4.74	No Data	One of leading mining organizations. Basic improvement in copper situation and development of low cost properties should be of much assistance in overcoming disadvantage of heavy capitalization.
Calumet & Arizona	123-61	115	6.00	5.2%	5.56	$4.54*	Apparent plethora of ore reserves in old Arizona properties supplemented by important new discoveries in same region. Shares in speculative position at current high levels.
Calumet & Hecla	25-14	21	2.00	9.5%	.75	0.14 (9 mos.)	Heavy depletion charges tend to obscure real earning power and importance of company as copper producer. Stock offers liberal yield and fair prospects.
Cerro de Pasco	72-58	68	4.00	5.9%	4.05	No Data	Peruvian producer, one of three great low cost properties in South America. Strongly entrenched financially. Sound holding despite omission of customary extra dividend.
Chile	44-33	42	2.50	6.0%	2.65	1.87 (9 mos.)	Benefited by very low producing costs and huge ore reserves. Steady earnings subject to gradual increase through enlarged productive capacity. Controlled by Anaconda.
Granby	45-31	42	None	None	Deficit	2.65* (9 mos.)	Better results in prospect from new property development and lowered costs. Recent dividend short-lived, but probably to be resumed soon on adjustment of certain tax complications.
Greene Cananea	149-29	164	None	None	1.17	No Data	Status of Mexican producer apparently transformed by new ore discoveries likely to lower costs substantially. Spectacular rise places stock now in purely speculative position.
Inspiration	25-12	20	None	None	1.11	No Data	Old line property in Arizona with future life problematical. Dividend reduced and subsequently eliminated during past year. Financial position poor, nearby outlook somewhat better.
Kennecott	90-60	85	5.00	5.9%	5.80	No Data	In front rank among world's copper producers in point of volume and cost of production and financial strength. Despite higher levels, stock still has investment merit.
Magma	59-29	54	3.00	5.6%	2.97	2.54* (9 mos.)	Low cost American copper mining property. In position to increase production in event of further strength in copper market. Advance in stock has lessened attractiveness.
Miami	21-13	18	1.50	8.3%	1.83	No Data	Good earnings particularly dependent on adequate copper prices, as production is now based on low grade ore reserves. Some speculative possibilities if copper continues firm.
Mother Lode	4-1	3	.50	16.7%	.79	No Data	High yield on stock reflects doubt as to extent of remaining ore reserves. Highly speculative at best with future dependent on results of exploration work still under way.
Nevada	21-13	19	1.50	7.9%	1.87	1.00 (9 mos.)	Consolidation with other American porphyry properties has lowered costs somewhat and placed company in position to produce consistently adequate rather than spectacular results.

Miscellaneous Group

Company	Price Range 1926	Recent Price	Dividend	Yield	Common Share Earnings 1926	Common Share Earnings 1927	COMMENT
American Metal	49-36	47	$3.00	6.4%	$3.88	$2.54 (9 mos.)	Important business in custom smelting and refining in addition to own mining operations. Earnings hardly such as to warrant restoration of old $4 rate in near future.
Amer. Smelting & Refining	189-133	182	8.00	4.4%	23.38	11.08 (6 mos.)	Bulk of earnings derived from large scale general smelting and refining business. Conservative dividend policy tends to retard proper recognition of great intrinsic strength.
Dome	14-7	13	1.00	7.7%	1.41	1.43	Recent developments indicate possible extension of ore reserves of old Canadian gold mining property. Pending more definite confirmation, stock decidedly in speculative class.
Howe Sound	48-35	45	4.00	8.9%	5.44	3.41 (9 mos.)	Lower income from Mexican lead-zinc properties offset to some extent by better prospects, especially in respect to copper mines in British Columbia. Yield attractive.
St. Joseph Lead	44-36	41	2.00+	4.9%	4.21	1.02 (6 mos.)	Large and established lead producer in strong position. Earnings temporarily impaired in 1927 through poor lead market, but customary $1 extra payment assured for another year.
U. S. Smelting	49-33	44	3.50	8.0%	3.81	2.77 (8 mos.)	Has advantage of well diversified operations with considerable progress towards lower costs. Immediate earnings situation none too propitious, but should be subject to improvement.

* Before depletion.

The Earning Prospects for Leading Industries

Ratings of Important Stocks in the Industrial Groups

INTELLIGENT and profitable investment must inevitably take into consideration not only the financial position of the company but also the specific trend of the industry of which it forms a part. It is essential to know something of the general trade and manufacturing conditions that have obtained in recent months as well as the industry's prospects for future business if the forthcoming earning trend of an individual company is to be gauged. Of course, separate companies within the same industry may exhibit wide variations in the degree of prosperity or its reverse, as a result of conditions peculiar to certain organizations; but in the main those influences that are factors in the industry, as a whole, have very distinct bearing on each of its component parts.

If the industrial background of a company be evaluated in conjunction with its financial status, its dividend and earnings record, its sales volume and inventory position, it becomes possible to make valid deductions as to the ability of the company to resume, maintain or increase dividend payments. In making such an estimate it is well to remember, however, that there is no certainty that the *ability* to pay will always find reflection in the immediate dividend policy. Such development is entirely within the province of the company's directors, who may elect whatever policy seems wisest. They may see fit to postpone changes in the dividend rate or to limit payments in accord with plans for expansion, or for some other reason. These eventualities should be given due weight in arriving at any appraisal of a security's prospects.

For the reasons given above it will be noted that our security forecast falls into two major divisions: the review and outlook of the important industries which serves to indicate the broad industrial tendencies; and the table of the leading companies in these lines. To further increase the practical value of the statistical data, our market opinions are indicated in suitable comment for each company. That is to say, it is indicated whether the stock may be considered attractive at prevailing prices. The term "high enough" suggests that present net return considered with the possibility of further price enhancement, does not warrant new commitments.

In these ratings due consideration has been given to the speculative angle, but for the most part the comment is intended to apply to the investment merit of the respective issues.

Steel

THE year 1927 marked a series of changes which should find considerable reflection in the trend of the steel industry in 1928. Most notable of these has been the remarkable uniformity of production. While this development, apparent about the middle of the Summer period, did not obtain throughout the entire year, it came at a time when conditions were such that stricter regulation of output was necessary. Heretofore wide fluctuations were not uncommon, whereas for the past six months the variations have been slight, presenting a striking contrast to the former policy of unrestricted output. In the first half of 1927, production established a new high, due in part to the record activity witnessed in March. The usual Summer lull was accentuated by a more conservative attitude on the part of automobile and oil industries, with the result that operations suffered a severe drop, falling from an average of 82% for the first six months to a level well under 70% in the succeeding months. Seasonal improvement in the Fall failed to come up to expectations largely because of lower automobile production and continued overproduction in the oil industry, both bringing about a sharp curtailment in steel specifications.

Although production is down from the 1926 rate, the decline in itself—about 9%—was hardly large enough to materially affect steel company earnings, which are considerably smaller than those reported in the preceding year. The chief difficulty, therefore, has been the lower scale of quotations more than the falling off of production. In view of the keen competition which existed among steel producers, the reactionary tendency of prices was not surprising, although many companies were led to cut prices on the belief that cheaper production costs would be an offsetting factor. This, however, did not work out to their entire satisfaction owing to the failure of consumers to respond to this stimulus and the prevalence of hand-to-mouth methods in buying steel.

Prospects for the beginning of 1928 are decidedly favorable. Production can be expected to show considerable increase in the first quarter, as the broadening demand will warrant a much higher rate of output than is now in force. Prices are already showing an upward tendency and further strength should develop as consumer buying gathers momentum.

FORECAST FOR 1928

Motors and Accessories

FEW industries present greater divergence in degree of prosperity than motor car and accessory trades during the past twelve months. While General Motors has been responsible for nearly 50% of the industry's output and has just closed the most profitable year in its history, many other companies have fared less favorably than in 1926. Keen competition involving many price cuts and consequent narrow profit margins produced a setting in which the larger and more shrewdly managed organizations seem most favored.

Production and sales volume of cars and trucks, together, ran behind 1926 in nearly every month, with the year's total, from preliminary estimates, about 20% lower. This showing, however, is not as bad as it appears, for Ford's production was nil for the

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Position of Leading Tire Stocks

Company	Type of Business	Earned per Share 1926	Earned per Share 1927	Price Range 1927 High	Price Range 1927 Low	Recent Price	Div. Rate	Yield %	COMMENT
Fisk	Tires	1.27	E1.50	20	14	16	...	...	Financial position considerably stronger than in 1926. Earnings reflect general betterment in tire industry. Fair prospects.
Goodrich	Tires, Footwear, Mech. Goods	4.16	E14	96	42	95	4.0	4.2	Capably managed and aggressive. Business diversified. Sharp improvement in net, together with promising outlook, suggest possibility of larger dividend in 1928.
Goodyear	Tires, Footwear, Mech. Goods	3.66	E8	69	48	69	...	...	Recapitalization has resulted in lower fixed charges and practical elimination preferred div. arrears. Attractive for long pull.
Kelly-Springfield	Tires	def.	....	E2	32	9	28 ...	...	Handicapped by lack of other lines than tires, but doing better and would benefit from higher prices. Not especially attractive in view of advance in 1927.
Miller	Tires & Novelties	0.16	E nil	36	17	24	...	...	Has failed to measure up to past performance in past year. Common div. recently passed.
U. S. Rubber	Tires, Footwear, Mech. Goods	def.	E1.0	67	37	60	...	...	Disappointing results shown in late years. Acquisition of stock interest by Du Ponts a constructive factor, however, and should lead to betterment. Speculatively attractive.

E—Estimated.

Position of Leading Steel Stocks

Company	*Annual Capacity (Millions of Tons)	Earned per Share 1926	Earned per Share 1927	Price Range 1927 High	Price Range 1927 Low	Recent Price	Div. Rate	Yield %	COMMENT
Bethlehem	7.6	7.48	E6	66	43	57	...	...	Heavy expenditures for improvements and expansion since 1923 has placed company in strong position, ready to benefit fully from improvement in steel trade. Attractive.
Crucible	N.F.	8.72	E8	96	76	92	6	6.5	Status of common stock less speculative than formerly. Current div. reasonably well secured. Increase in rate may eventuate with betterment in the industry during 1928.
Gulf States	‡2.0	5.28	E4	64	40	54	...	...	Has apparently made progress in readjustment to new conditions which forced omission of dividend in 1927. Has possibilities as long range speculation.
Republic	1.8 Iron & Steel 1.4 Pig Iron	11.05	E6	75	53	59	4	6.8	Proposed absorption of Trumbull will round out production facilities and strengthen trade position. May foreshadow further consolidations with other minor independents.
Sloss Sheffield	0.40 Pig Iron	16.38	nf	134	110	123	6	6.8	Lower pig iron price suggests probability of decrease in net compared with 1926, but has high average earning capacity owing to low production costs. High enough at present.
U. S. Steel	23.0	12.85	E10	160	111	154	7	4.5	Unquestioned leader from both trade and stock market viewpoints. Sound holding for semi-investment but advisable to defer new commitments for time being.
Youngstown	3.5	14.32	E6	97	80	95	5	5.3	Improvements and expansion in facilities should eventually be reflected in higher market over long term. 1927 earnings affected by slow business in tubular products.

*** Ton of steel ingots. ‡ Coal, coke, ingots, etc. E—Estimated. NF—No data.**

Position of Leading Sugar Stocks

Company	Type of Business	Earned per Share 1926	Earned per Share 1927	Price Range 1927 High	Price Range 1927 Low	Recent Price	Div. Rate	Yield %	COMMENT
American Sugar Refinery	Refiner	7.08	E5	95	65	78	5	6.4	Needs higher refined sugar market to be attractive, although refiners are making efforts to stabilize the industry.
Cuba Cane	Cuban Producer	Def.	E nil	10	4	7	...	. .	Would prove speculatively responsive to recovery in raw sugar prices, but relatively high costs make for uncertain earning power.
Cuban American	Cuban Producer	†0.39	†1.07	28	18	22	1	4.5	One of lowest cost Cuban producers. Strong financial status. Attractive speculation.
Great Western	American Beet Producer	‡2.99	‡1.29	44	35	37	2.8	7.6	Comparatively recent stock split-up removes probability of early change in dividend rate, though desirable for long pull.
Punta Alegre	Cuban Producer	†nil	†2.76	46	27	34	...	...	Desirable purely as speculation, based upon possibilities of later rise in sugar prices.
South Porto Rico	Porto Rican Producer	†2.64	†4.01	42	33	37	2	5.4	Earning power variable to degree, but operations consistently profitable by virtue of low costs and freedom from import duty. Good speculative prospects.

† Year ending Sept. 30. ‡ Year ending Feb. 28. E—Estimated.

greater part of the year. In fact, if we subtract his output from both 1926 and 1927 totals, production for the balance of the industry is actually slightly higher in 1927 than in the previous year.

In outlook, the important automobile and truck manufacturers face prospects of a promising nature in 1928. Ford's return to large production has drawn a great deal of attention to motor cars, dammed up business will be released and while much of it will doubtless go to Ford, a certain proportion must also go to other makes. Export markets are broadening with a growing demand for American made cars, especially since many have been adapted in engine design to meet European requirements. The volume of cash sales is increasing. In 1927, 42% of cars so sold were for cash, compared with 36% in 1926, with a promise of further improvement in this respect with generally higher purchasing power. Improved agricultural conditions in the South and Northwest also widens sales opportunities in coming months.

The parts and accessory trade, as a whole, follows the fortunes of the automobile industry. As a consequence, the year just past was generally less profitable for leading producers than 1926 despite the fact that the expected recession in the closing months was less pronounced in the year just past. Of course, this was not true in all cases for the reason that an increasing number of accessory manufacturers are engaged in other lines than strictly auto parts and appliances and hence reflect in some measure the vicissitudes of these other trades.

The tendency of motor car makers to fully equip their product has unquestionably cut into the sales of accessory manufacturers to retail distributors. This will be even more pronounced with the new Ford cars being sold fully equipped. As a result accessory companies may be forced to depend more and more on replacement business and on their contracts with automobile manufacturers, and in the face of keen competition for this class of business, to adjust their prices to closest profit margins.

These factors are bound to obtain during 1928, but with a more promising automobile year in prospect and a steadily increasing number of cars in operation, signifying growing replacement trade, it is reasonable to expect that progressive elements in the accessory industry are destined for more profitable times.

Tires

ALTHOUGH automobile manufacturers as a whole were obliged to work under lower operating schedules for the most part of 1927, the tire manufacturing industry did not suffer in proportion. In fact, during the first six months tire shipments totaled more than 32,000,000 casings, compared with 25,000,000 in the first half of 1926. Tire companies were able to keep operations at an active level because of large replacement business from retail dealers. The last half of the closing year, while not as good as the preceding six months, made a distinctly favorable showing in comparison with the corresponding period in 1926, though tire production in October revealed a considerable decline, largely as a result of curtailed automobile operations.

At this time a marked improvement in demand is in evidence. Larger tire sales are being reported and production is slowly but steadily trending upwards, with every indication that the advance will be prolonged well into the future. Spring datings are being started two months earlier than usual, and dealers are buying stocks in good-sized volume.

Tire prices have been low in consonance with cheap rubber but upward revision of schedules is to be expected. Stabilizing processes should bear some fruit, and the prospect is for a nearby advance in quotations. This possibility is strongly emphasized in view of the crude rubber situation which despite huge supplies is displaying a firmer tone.

The year 1928, at least the first half, from the standpoint of earnings, should be a good one for those companies well situated with regard to overhead and sales expenses. Manufacturers who do not depend entirely on the automobile industry for business but make a well diversified list of products are in a better position to show improved profits than smaller companies who are likely to encounter severe competition.

Farming Equipment

AGRICUTURAL implement makers have just closed their third successful year, with 1927 sales and earnings running well ahead of the preceding two years. Buying of equipment was retarded somewhat at the outset of the Spring season owing to the unfavorable weather which prevailed at that time. Later, however, during the Summer and Fall months, crop conditions improved to such an extent that farmers were able to enter the market for purchases on a more extensive scale, with the result that sales, especially the heavier types of equipment, assumed record-breaking proportions. On the other hand, lighter machinery has not fared so well and sales instead of increasing have shown a tendency to decline. Farmers are endeavoring to reduce crop production costs as much as possible. In order to accomplish this end it has been necessary to resort to a broader use of heavy equipment such as tractors, combines, etc., so as to provide additional saving of labor.

The first half of 1928 should witness a further expansion of demand. Purchasing power of the Northwest farmer and the Southern cotton grower has been greatly enhanced as a result of the excellent marketing conditions for 1927 harvests. With farmers inclined toward more liberal expenditures there is every reason to believe that profit margins of implement manufacturers will show a decided upward trend. Most companies have improved their financial position by reducing to a minimum credit losses and the abolishing of old accounts. In consequence leading producers are in a position to pass on to stockholders a portion of the large earnings that have been made in the past three years in the form of increased payments on the common stock or a substantial stock dividend.

Electrical Equipment

LOWER production costs have enabled manufacturers to reduce prices so that consumer buying has maintained a fair degree of consistency throughout the entire year of 1927. While demand has not been of any unusual volume, it has been well sustained; and this showing is favorable in view of the fact that other important industries have suffered from poor trade condtions. Moreover, now that

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FORECAST FOR 1928

Position of Leading Automobile Stocks

Company	Type of Business	Earned per Share 1926	Earned per Share 1927	Price Range 1927 High	Price Range 1927 Low	Recent Price	Div. Rate	Yield %	COMMENT
Chrysler	Passenger Cars	4.77	E7	63	38	63	3	4.8	One of stronger independents. Has shown consistent ability to stand up against competition. Excellent financial status suggests retirement of preferred shares in due course. Only moderately attractive now, however.
Dodge Bros. "A".	Passenger Cars & Trucks	6.46	E1.5	27	13	22	...	...	Earnings reduced by development of new lines in 1926, but equities behind Class A increased, nevertheless. Recent improvement in market value partly discounts prospects.
General Motors ..	Passenger Cars & Trucks	9.68	E14	141	113	138	*7½	5.4	Likely to do well in first quarter, but influence of full Ford production on profitable Chevrolet line later in year constitutes element of uncertainty.
Hudson	Passenger Cars	a3.36	E9	91	48	83	5	6.0	Competitive position improved last year and seems likely to maintain place in the industry. Recent advance largely removes shares from category of attractive speculations.
Mack Trucks ...	Trucks & Busses	9.86	E7	118	88	107	6	5.6	Retrenchment in sales policies last year reflected in enhanced working capital and recent retirement of preferred stocks without public financing. Promising long pull.
Nash	Passenger Cars	8.50	E9	101	60	100	*5	5.0	Continues to maintain past record of progressive growth. Excellent management, sound financial structure and strong trade position. Future seems assured, though stock has limited appeal at present levels.
Packard	Pass. Cars Airplane Engines	c5.27	c3.91	62	33	62	3	4.8	Company made gratifying showing in final quarter of 1927. One of stronger motor manufacturers with substantial interest in development of aviation. Sound issue, but not immediately attractive.
Studebaker	Passenger Cars	6.45	E7	63	49	60	5	8.3	Stock selling on conservative basis by comparison with other leading motor shares and appears considerably out of line. Attractive from yield standpoint alone.
White Motors ...	Trucks & Busses	2.73	E2.5	58	30	40	2	5.0	Has suffered considerably from unsettled condition in truck and bus industry. Dividend reduced from $4 to $2 last year. Should regain some measure of former status.
Willys Overland..	Passenger Cars	0.23	E1	24	13	20	...	...	Indifferent record. Uncertain speculation owing to increasing competition in low priced passenger car field.

* Including extras. a Thirteen months to Jan. 1, 1929. c Year ended Aug. 31. E—Estimated. n.f.—Figures not available.

Position of Leading Motor Accessory Stocks

Continental Motors	Gasoline Engines	a1.15	a0.71	13	8	11	80c	7.2	Comfortable financial status. Holds strong position in its particular field. Issue is speculative and possibilities are not clearly defined.
Eaton Axle and Spring	Axles, Springs, Bumpers	3.85	E3	29	21	26	2	7.7	One of a type of specialized motor accessory producers whose earnings are too subject to variations to justify attention of average investor. High enough.
Electric Auto Lite.	Motor, Generating Systems	7.11	E10	102	63	100	*6½	6.5	Fairly consistent earning power, simple capital structure. Ranks among better grade motor accessory issues, but at current levels seems high enough.
Kelsey-Hayes Wheel	Wheels, Etc.	2.00	n.f.	27	19	23	2	8.7	Consolidation of former Hayes Wheel and Kelsey Wheel companies. Not especially attractive on basis of earning power developed by merged properties to date.
Moto Meter "A"..	Moto-Meters & Spark Plugs	7.81	E4	38	17	19	3.6	13.7	Sharp decline in business last year. Business too highly specialized to make shares desirable.
Motor Wheel	Wheels, Etc.	2.39	E3	27	20	25	2	8.0	Good average earnings record. Covering present dividend requirement by fair margin. Issue of type inherently speculative, hence desirability open to question.
Spicer Mfg.	Shafts, Frames, Etc.	4.04	E3	28	20	24	...	...	In substantially same fundamental position as other specialized accessory and parts makers. Good earning power under favorable conditions, but attractiveness limited.
Stewart Warner..	Speedometers, Radio, Etc.	8.42	E8.5	87	54	82	6	7.3	Enjoys relative degree of freedom from changes in motor situation by virtue of diversified operations. Exceptionally strong financial position. Nearby possibilities appear largely discounted, however.
Stromberg Carburetor	Carburetors, Shock Absorbers	5.79	E2	54	26	44	2	4.6	Erratic record renders stock highly speculative. Disappointing showing last year.
Timken Roller Bearing	Bearings	8.26	E9	142	78	133	*5	3.7	Development of roller bearings for railroads has removed stock from classification of pure motor accessory manufacturers and furnished basis for substantial rise in past year. Seems high enough.

* Including extras. a Year ended Oct. 31. E—Estimated.

the whole economic picture is undergoing improvement, manufacturers of electrical equipment anticipate greater activity on the part of buyers during the first quarter of 1928. The fact that a large number of industries will be better situated in the opening months of 1928 should be particularly reflected in an increased demand for that type of electrical machinery used for the specific purpose of reducing production costs.

Public utility expenditures in 1928 can be expected to about equal the 1927 rate. In the steady expansion of utilities and their consequent demand for new equipment lies the backlog of electric machinery trade. Household purchases, although experiencing the usual year-end slump from the wholesale standpoint, may be expected to achieve large volume later on. In consonance with the generally strong position of the industry, electrical goods manufacturers should continue to report steady gains in earnings.

Railroad Equipment

ALTHOUGH railroad traffic has been at high levels for a good part of 1927, car and locomotive manufacturers have not derived any benefit by way of increasing business. This condition has prevailed for the past four years and equipment sales have suffered considerably, with the passing year witnessing the poorest demand since 1921. The reason for this is simple. Despite smaller purchases of new equipment, railroads are in splendid physical shape, the result of increased operating efficiencies and a more comprehensive use of better quality equipment. Consequently a large number of roads are in a position to cut annual replacement needs to a minimum. Under these circumstances many companies, with the exception of tank car makers and train control and other safety device manufacturers, will report unsatisfactory earnings for the past year.

The outlook for 1928 appears more favorable, but a too optimistic attitude is not warranted. Railroad companies should place more substantial orders for cars and locomotives at the beginning of the year. But it would be difficult to say whether this buying will extend itself throughout the year. Equipment companies which do not confine their activities mainly to the building of new equipment but do a large business in repair and replacement work should fare better than other manufacturers. Companies producing safety equipment will continue to find a broad market for their products.

Textiles

PRICES which proved disastrous to cotton growers in 1926 and early 1927 were at the same time the salvation of the cotton goods trade, in vastly stimulated consumption. Mills during the greater part of the past year were close to capacity with orders well ahead. Spindle activity during the first ten months, allowing for secular trend, ran fully 10% over 1926. Unfortunately the activity went to extremes, however, and as staple prices rose, with the advent of the small 1927 crop, production mounted, not so much beyond actual requirements but to levels which so affected goods prices that output could no longer be profitably marketed. Hence curtailment in the closing weeks of the year. This set-back is deemed no more than temporary. Lessened available supply has already brought on more active goods markets. The needs of the country and export demand are of large proportions and with wise buying of raw cotton, the mills should shortly experience a resumption of the upward trend of this division of the industry.

Woolens have not had the spectacular spurt of cotton goods. Their progress toward more satisfactory levels has been slow—almost imperceptibly slow—but withal perhaps steadier. Mill activity during the major part of 1927 exceeded that of 1926 by only 1%. This is not, however, the crumb of comfort in the situation. It is rather to be found in the new policy rapidly spreading through the industry to avoid price cutting which has proved so disastrous in times past. At present the woolen business is operating on a very narrow profit margin as a result of the high wool prices, but sales and consumption are slowly gaining and the situation should by spring find correction in higher cloth and yarn values.

The trend of silk goods production has been downward since 1925 with output still exceeding market demands. Currently the industry possesses the advantage of extremely cheap raw material with the result that those companies able to stock up at present levels and hold on, are in the best position for the future.

The first cousin to silk—rayon—is the most strongly situated of the textile group. In the face of overwhelming foreign competition, domestic producers have succeeded in recapturing a large part of the domestic trade and found a profitable market for an increasingly large output.

Sugar

AT the beginning of 1927 it appeared that the improvement in the sugar industry which began with the turn in prices late in 1926 signified a return to prosperity. Refiners enjoyed a more favorable margin than in more than two years; while the control of production and the postponement of the opening of the grinding season in Cuba seemed potentially able to offset the excesses which had proved the nemesis of the industry through much of the post-war period. As the year progressed, however, several adverse factors came into prominence and their persistence has lent an air of uncertainty that pervades the future outlook.

The rapid and steady growth of consumption in this country was at least temporarily checked by a cool and unseasonable summer. World production loomed larger. Bounties and protective tariffs coupled with a desire to resume independence of Cuban markets resulted in European beet cultivation on a scale far in excess of previous needs. Eastern crops were larger, and even our own domestic beet crop proved considerably bigger than that of 1926. In short, by mid-summer the world gave evidence of further submerging itself in a wave of over-production.

Since then constructive efforts have been put forth to alleviate conditions. Cuba has empowered her president to continue crop limitation with the probable result that her 1928 crop will not exceed four million tons. Important European beet producing countries, together with Cuba, have entered into a pact to regulate production with results yet to be seen. Meanwhile markets in both raw and refined have displayed considerable uncertainty, with prices which, despite comparatively low levels, were not of a trend to inspire

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FORECAST FOR 1928

Position of Leading Equipment Stocks

Company	Type of Business	Earned per Share 1926	Earned per Share 1927	Price Range 1926 High	Price Range 1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
American Car & Foundry	Busses, & Misc. R.R.Eq.	a6.67	a4.19	109	95	105	6	5.7	Diversity of operations not generally appreciated. Sound holding for long pull on basis strong financial status and industrial position. Substantial income from sources other than operations.
American Brake Shoe & Foundry	R.R.Eq.	3.76	E4.	46	35	44	1.6	3.6	Business largely arises from replacement demand and hence enjoys relatively high degree of stability. Strong issue, though has limited appeal at current levels.
American Locomotive	R.R.Eq.	7.45	E3.5	116	99	109	8	7.2	Abundant working capital and investment income enable company to weather marked depression in locomotive industry. Attractive for patient holder. Affords comparatively generous yield.
Allis Chalmers	Elect. Eq. & Mchy.	9.39	E10	118	88	116	6	5.2	Changes in capital structure last year enhance balance available for common stock. Good prospect of higher dividend in due course renders issue desirable spec-vestment.
Baldwin Locomotive	R.R.Eq.	22.42	n.f.	265	143	255	7	2.7	Shares now closely held, hence market position does not necessarily bear direct relation to earnings or apparent asset value. Amply high from average investor's viewpoint.
J. I. Case Threshing	Farm Mchy.	23.31	E25	283	132	270	6	2.2	Market price seems in line with earning capacity demonstrated in last few years. Possibility of stock split-up and resultant increase in div. rate.
Electric Storage Battery	Elect. Eq.	7.31	6.0	81	63	76	5	6.6	Apparently suffering from sharper competition in battery business and also from storage battery substitutes, though should be well able to maintain present position.
General Electric	Elect. Eq.	6.14	E6.7	146	81	132	4	3.1	No prospect of halt in secular progress. Current low yield, however, due to habit of partially discounting future rather than immediate possibilities, hence attractive only in reactionary market.
General Railway Signal	Train Control Eq.	11.61	E9	153	82	121	5	4.2	Has apparently reached temporary saturation point. Higher costs reflected in 1927 earnings. Not especially attractive for present.
International Harvester	Farm Mchy.	18.44	n.f.	255	135	246	§6	6.0	Substantial assets and working capital. Has fully regained old earnings status and does not seem to have fully exhausted long range possibilities.
Lima Locomotive	R.R.Eq.	8.08	E nil	76	49	60	4	6.7	Strong financial status puts stock in good position to prove responsive to recovery in railroad demand for locomotives. Good speculation for patient holder.
N. Y. Airbrake	R.R.Eq.	5.11	E3.5	50	39	45	3	6.7	Lower earnings in 1926 reflect slow demand for railroad equipment generally. Fair speculation, based upon sound financial structure and good average earning capacity.
Pullman	R.R.Eq.	J4.13	JE4	84	73	82	4	4.9	Well established earning power. Should respond to any boom in equipment industry, but price seems about right for present, since stock split-up had effect of sufficiently capitalizing earning ability.
Westinghouse Air Brake	R.R.Eq.	3.32	E3	50	40	46	2	4.4	Sound to hold, but nearby possibilities appear limited under existing conditions in the industry and also because of mediocre current yield.
Westinghouse Electric	Elect. Eq.	m5.96	m6.81	94	67	91	4	4.4	Still attractive for long pull investment. Ranks second to General Electric in electrical manufacturing field and subject to same favorable fundamental influences.

a—Yr. ended April 30. ¶ Plus 2/50 in stock. m—Yr. ended March 31. E—Estimated. J—Yr. ending July 31. n.f.—No data. § Plus 4% in stock.

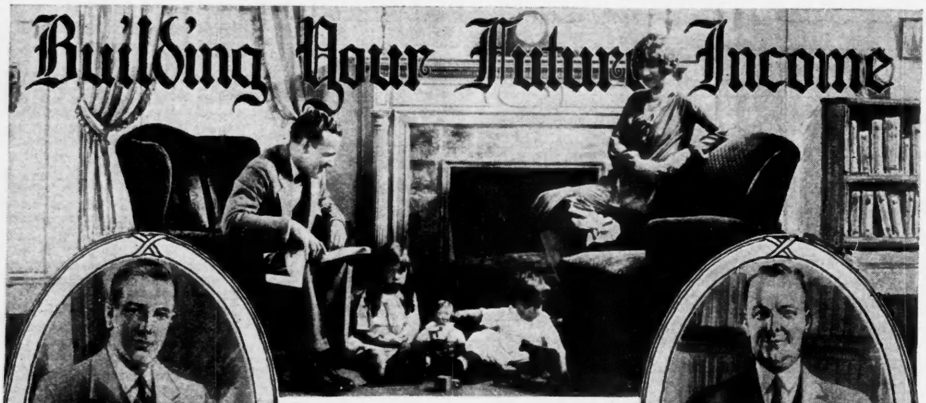
Position of Leading Textile Stocks

Company	Type of Business	Earned per Share 1926	Earned per Share 1927	Price Range 1926 High	Price Range 1926 Low	Recent Price	Div. Rate	Yield %	COMMENT
American Woolen	Woolen	Def.	E nil	33	16	20	...	...	Efforts to come back hampered by slow recovery of woolen industry. Shares seem well deflated but still in rather uncertain speculative position.
Belding Heminway	Silk & Hosiery	1.90	E1.9	27	15	18	2	11.1	Apparently suffering from too liberal dividend policy since inception. Even current rate appears over-generous in view of earnings and industrial situation.
Cluett Peabody	Collars & Shirts	5.58	E9	84	51	80	5	6.2	Dominant factor in collar industry. Earnings subject to variation but conservative financial policy has resulted in steady appreciation of asset values. Good prospects for long pull.
Consolidated Textile	Cotton	Def.	E nil	7	3	3	...	...	Uncertain speculative issue. Needs sustained period of decided prosperity in cotton goods industry to develop any real earning power.
Gotham Silk Hosiery	Silk & Hosiery	5.76	E7.0	85	57	80	¶2.5	3.1	Strong and aggressive hosiery manufacturer, but shares seem high enough in relation to earnings and dividend return.
Julius Kayser	Silk	*6.04	*8.72	65	49	63	4	6.4	Has good average earnings record indicative of sound management and strong trade position. Possibility of more liberal dividend partially discounted in current market price.

* Year ended Aug. 31. E—Estimated. ¶ Plus 4% in stock.

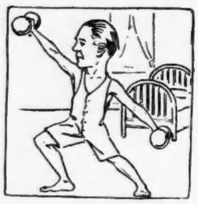
EDITORIAL PAGE

Building Your Future Income



This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.



A Daily Dozen for Dollar Disorders

Suggested by Fred Hamilton Rindge for National Thrift Week, January 17 to January 23

1. Earn All You Can Honestly.
2. Plan Your Spending Carefully.
3. Spend for What You Need Wisely.
4. Record Money Transactions Accurately.
5. Save a Part of Your Pay Regularly.
6. Consult Your Banker Frequently.
7. Invest What You Save Safely.
8. Protect Your Loved Ones Adequately.
9. Keep Your Credit Established Firmly.
10. Own Your Home Surely.
11. Avoid Waste Diligently.
12. Give What You Should Liberally.

"Intelligent Use of Present Income Will Assure Financial Independence."

How To Analyze Your Investment Holdings

A Series of Educational Investment Articles

Seaboard Air Line Railway Co.

First and Consolidated Mortgage 6s 1945

THE bonds of the Seaboard Air Line Railway are not usually accorded the highest honors by railroad security analysts, because they do not come up to the customary statistical standards required for enthusiastic investment commendation, with the exception of some of the divisional mortgage liens. The company operates a little less than 4,000 miles of road, most of which is single track and, prior to a rather intensive rehabilitation program during the past few years, was not maintained in very good physical condition. Its main line extends along the south Atlantic Seaboard to Jacksonville and the west coast of Florida. Through purchase or construction, the company has added over 450 miles to its lines since 1923 and now connects the east and west coast of Florida and provides a short freight and passenger route to the West through Georgia. These extensions as well as the physical improvements to its property are of more than casual historic interest as far as bondholders are concerned because they have definitely restored real earning power for the property which secures the Seaboard Air Line bonds.

As far as the capital structure of the company is concerned it has one issue that is distinctly in the high grade investment class. This is the first mortgage on the Atlanta-Birmingham Division, and incidentally is an attractive investment at its current price level on the New York Stock Exchange. As far as the company's other bonds are concerned, it is not wise to draw the same fine distinctions as to their respective investment values that are implied in their respective names. They are all essentially "general mortgages" secured by a first lien on a small parcel and junior liens on the main portion of the trackage they cover, plus the security of deposited collateral. The so-called first 4s of 1950 sell on a 5.10% basis; the so-called refunding 4s of 1959 sell on 6.10% basis and consolidated 6s of 1945 (the issue under review here) sell on a 6.40% basis, yet they are all essentially general mortgages of a good deal the same rank. In fact, the real security behind the consolidated 6s of 1945 is the deposit of 56 million refunding 4s of 1959, plus a first lien of about 440 miles. As a medium grade railroad bond, adequately secured for the purposes of the average investor, however, the Seaboard Air Line 6s of 1945 make a satisfactory inclusion in any reasonably broad list of investment holdings and contribute an income to maturity of around 6.40% at their present price.

BYFI'S INVESTMENT SUGGESTIONS

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings banks accounts are recommended for deposits of regular savings, to yield........	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of..........	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953....	105	5.15%

THE NEXT $1,000

†International Mercantile Marine 1st & coll. 6s, 1941	106	5.35%
*Montreal Tramway gen. & ref. 5s, 1955........	99	5.05%
‡†N. Y. Steam Corp. 6s, 1947..................	108	5.34%
†Western Pacific 1st 5s, 1946..................	100	5.00%

$5,000 FOR INVESTMENT

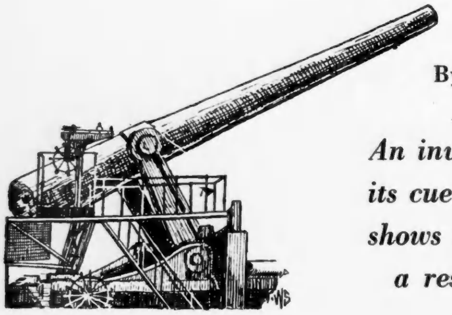
	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952........................	98	5.12%
Shulco Co., Inc., Guar., Ser. "B" 6½s, 1946...	103	6.23%
U. S. Rubber 1st 5s, 1947......................	96	5.32%
West Penn Electric $7 Pfd......................	112	6.25%
U. S. Smelting & Ref. $3½ Pfd..................	53	6.60%
American Sugar Refining $7 Pfd.................	109	6.40%

THE NEXT $5,000 (a)

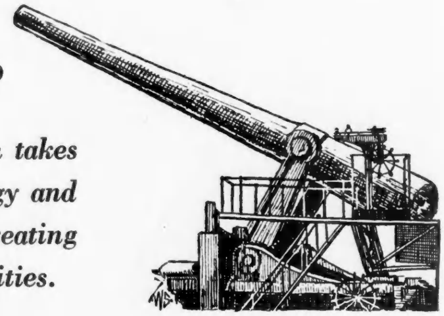
Seaboard Air Line 1st Cons. 6s, 1945...........	96	6.35%
Nassau Electric 4s, 1951.......................	58	8.00%
Western Maryland 1st 4s, 1952..................	87	4.94%
Brooklyn-Man. Tr. $6 Pfd	83	7.20%
International Paper, $7 Pfd....................	107	6.50%
‡American Tel. & Tel. common ($9).............	179	5.05%

* Available in $100 units. † Available in $500 units.
‡ Recommended to hold only.
(a) This group is selected with a view toward probable enhancement in principal.

Marshalling Investment Reserves for Financial Independence



By LEWIS P. MANSFIELD



An investment article which takes its cue from military strategy and shows the importance of creating a reserve in sound securities.

THE French won the battle of the Marne because they possessed a reserve army. They called it the Army of Manoeuvre. General Joffre had accumulated this surprise army during the great retreat in August, 1914, and suddenly, when the time was ripe, he turned it loose against the Germans and defeated them.

I regard my investment account as my Army of Manoeuvre. It exists quite independent of my Income-and-Expense budget. It is a thing apart which remains untouched in the daily financial battle. It gathers strength from my ordinary savings and from its own momentum. It is a constant reserve that may be drawn upon at a moment's notice when necessity compels or opportunity offers. But its primary function is to serve the inevitable future demands of my growing family. My business income takes care of the day-to-day expenses, while my Surplus Reserve stands by for the command to go forward when the hour strikes.

Since I began systematically investing money four years ago at the age of twenty-nine, I have increased the initial sum of a few thousand dollars to about ten times that amount. I have invested, and speculated, purchased outright, and purchased on margin. For I regard speculation and investment as brothers, and not as enemies which seems to be a common impression. One of these brothers has red hair and takes fairly big chances; the other has black hair and also takes chances, but *not as great chances.* Exactly the same distinction may be drawn as to outright purchases and buying on margin, that is—on borrowed money. Both investment and speculation are, or should be, undertaken for a profit or income. Essentially, there is no difference between profit and income except that income is supposed to have a regular flow. Often it doesn't, however. Both mean dollars and cents wrung from investment or speculation. Who would deny that axiom?

I retain securities only so long as I am satisfied with the present and prospective return from them. I place no time limit on their remaining in favor. Conditions alter everything. Just because American Woolen was adored in 1912 is no reason why it should be tolerated in 1922. I am constantly on the "qui vive," and I don't mean by that I am a trader—an in-and-outer. Trading is a different athletic sport, and personally it is too rough for me. It is gambling. Give me the long sweeps, and other people may have the ripples. Then I can keep my mind at an even temperature and perfectly detached from emotional considerations. Sentiment is fatal in the chess game of investment.

If I don't like the general market weather conditions, or if I find my holdings outwearing their usefulness, I sell them quickly. *I am not influenced unduly by considerations of profit or loss.* Most investors literally hate to accept a loss, and almost as great a number hate to take a profit for fear the stock will go higher. This is all twaddle and sentimentality. I have taken many losses, but I have taken the losses before they became routs, and when I saw that the tide had turned against me. I like to let profits wax—but pick them before they get over-ripe.

I once made a very speculative commitment in Rickenbacker Motor at $8 a share. I sold out at $7 a share on the way down because it dawned on me in time that the little automobile companies were in for hard sledding and keen competition. Subsequently, Rickenbacker dropped to 0 per share. Some of my friends who had bought when I did, refused to let go of the stock; they felt that "patience was

This is the prize winning article in the Investment division of the BYFI Christmas Prize Contest, which points out a path to Investment Success, that inexperienced investors may follow to their advantage.

a virtue" and the stock would "surely come back." Some stocks come back; some do not. This one didn't.

This experience taught me a great lesson. *Leave the small companies alone.* Buy the big fellows unless you happen to have exceptionally close and favorable information about a small company. It is rare that one is so fortunate. Real information isn't the Wind of Rumor that blows in every broker's office. Real information speaks with the voice of authority. Heard and listened to there is no mistaking it for an imposter.

I have also learned the advantage in buying high-priced stocks. High-priced stocks, stocks selling, let us say, at $200 a share and over, are often the best bargains in the market, and while it is true one can buy fewer shares than of low-priced stocks for the same amount of money invested, the movement should be proportionately more rapid. I was laughed at for buying one share of First National Bank stock at 2700. First National has sold this year at 3700 and over. That profit is equivalent to 10 points on 100 shares at $27. *High-priced stocks are often relatively cheap* simply because the public neglects them. The way many stocks like General Electric and American Can acted after they were split up, proves that the public usually waits for the shares to be split into smaller units before buying.

There is an illusion about dividends. *Really the rate of dividend is of minor importance. Earnings are the important factor to watch.* Earnings mean potential dividends. The wisest investors I know prefer stocks of companies which pay low dividends in relation to their earnings. These companies are earning money for the stockholders and with the earnings are earning more earnings. They are not simply passing out most of what they earn to make a display.

I have learned to overcome the temptation to sell at a definite or "limit price." A speculator who has made up his mind to sell a stock makes a great mistake to try for an arbitrary price, say 167¼, when he can get within a point or two of that price. What difference do a few points more or less profit make in the light of his fixed decision to liquidate? If the stock fails to reach his arbitrary limit, he may find that his opportunity to sell favorably has flown. He may find his stock dropping five, ten or twenty points without touching 167¼.

There is one illusion which never snared me, although it is a shibboleth to which many intelligent people cling. *Preferred stocks.* My policy has always been to avoid preferred stocks. I reason that if a company is good enough to invest in at all, the common stock is the thing to buy. What is the use of limiting one's return to a 5, 6 or 7% rate with all the risks of a business? Why not buy the common stock and reap all the rewards of great prosperity, if prosperity is in the cards, without incurring much more risk in event of failure? One needs only to look at the companies which have failed and see how little better the preferred has fared than the common. I would feel just as happy if his Satanic Majesty would recall the many preferred stocks which he has let loose on an innocent world. They are often convenient forms of financing for the corporation,—but that is another story.

Naturally, what success I have had in making the dollars do "Squads Right" for me, is founded on careful study of securities, corporations and the news in general. Let me add, however, that I think good judgment in buying and selling is far more important than an intimate knowledge of individual companies. It is better to be well informed on the state of business, finance and politics in general than to have a half-baked knowledge of these things and yet know how many 80 pound rails there are on the Baltimore & Ohio Railroad, or how many kilowatt-hours are generated hydro-electrically by the Southern California Edison Company per week. A blend of both brands of knowledge is the best formula.

Every man will have his own way of handling investments. There are no rules but the rules of common sense. We are all too much influenced by conventions of the market and tags the other fellow told us. When we are swayed, we are lost. Command your own Army of Financial Manoeuvre. Avoid blunders and give the market a chance to work for you. It will. Remember what Whistler, the artist, replied when asked how he mixed his wonderful colors,—"With brains, Sir!"

A Three Year Record of the Author's Purchases and Sales

Date Bought	Price	Security	Date Sold	Price	Profit (in points)	Loss
10-6-1924	35	North American Co., com	11-21-24	38⅜	3⅜	..
11-25-1924	56	Chicago, Mil. & St. Paul 4½s, due 2014	3-11-1925	50	..	6
1-3-25	30	Pure Oil	2-7-25	32	2	..
3-4-25	113	Commonwealth Power, com	5-21-25	160½	46½	..
5-11-25	56⅛	United Light & Power, com	10-2-25	156	99⅛	..
5-19-25	80	Electric Bd. & Share Sec	8-7-25	70¼	..	9¾
6-27-25	171	American Light & Trac., com	8-13-25	212	41	..
8-20-25	37	Mohawk Valley, com.	10-7-25	34	..	3
8-31-25	115¼	American Locomotive, com	10-2-25	115¾	½	..
11-2-25	36	Commonwealth Power, com. (new)	......	...	..	..
12-29-25	38¾	Commonwealth Power, com. (new)	1-11-26	40½	3	..
12-8-25	9¼	Rickenbacker Motor	12-19-25	7¼	..	2
2-10-26	165¼	Foundation Co., com	2-11-26	160	..	5¼
2-18-26	383	General Electric (old)	5-26-26	317¼	..	65¾
1-9-26	30¼	E. W. Bliss, com.	4-23-26	20		10¼
3-18-25	120	U. S. Steel, com.	8-18-26	153¼	33¼	..
4-4-27	69¼	Texas & Pacific R. R., com	4-26-27	77¾	8½	..
5-5-27	172	Chesapeake & Ohio R. R., com	9-23-27	194¾	22¾	..
5-19-27	86	American Gas & Elec., com	9-13-27	106½	20½	..
9-6-27	66⅛	American Power & Light, com	10-26-27	69	2⅛	..
			Total Profit and Loss..		283⅜	102
			Less Losses		102	
			Net Gain		181⅜	

Make Savings "Safe" Through Insurance

A Pertinent Thought for National Thrift Week Illustrated by a Young Man's Insurance Plan

By FRANK J. MULLIGAN

FOR a period of ten years, the National Thrift Movement inaugurated by the Y. M. C. A. has exerted its beneficent influence on all forms of thrift. The reflection of this movement has been most noticeable in the increase in savings bank deposits, the popularity of investments in first mortgages, mortgage bonds and building and loan shares, the purchase of countless homes throughout the United States by former rent payers and in the enormous increase of life insurance in force.

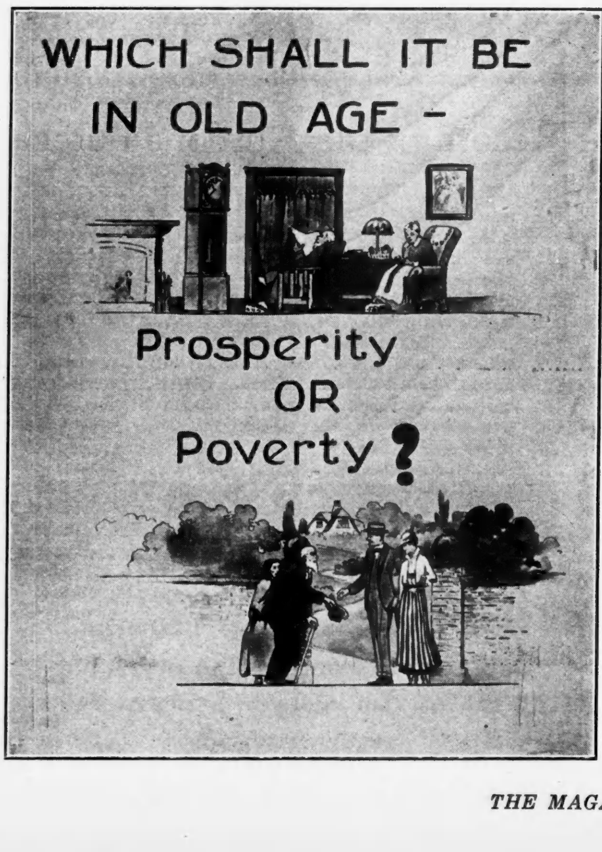
Ten years ago the life insurance companies of the United States were operating on assets of $5,941,000,000. Today this sum has grown to about $14,500,000,000, an increase of $8,559,000,000 in the most "thrifty" decade in our history. Truly the owner of a life insurance policy may be said to own a share in the United States, in view of the wide scope of the investment field into which his life insurance premium dollars are placed.

The urge behind the purchase by the family man of life insurance has changed from one solely of protection to a realization that the budgeting of a definite portion of income every year to be devoted to the purchase of life insurance will turn out to be an excellent investment. Let us consider the case of a successful young business man. He is 35 years old, a leader in his group, earns $15,000 to $18,000 a year, has a wife and two small children. From time to time he has invested his money in the stock of his corporation, has a few good bonds in the vault and has under way shares in a building and loan association, with the idea that the return from this investment will be used later on for the purpose of educating his children.

Like many men similarly placed, he has made a most exhaustive study of life insurance not so much of rates nor of companies, but of the benefits that accrue to a man's family from the use of life insurance proceeds and of the privileges that a man may avail himself of during his lifetime. His holdings today consist of $100,000 of Ordinary Life insurance, distributed among four companies whose rates are practically identical.

In each of these companies he has included a disability clause. Looking ahead twenty years he has figured that his two children at that time will have completed their education and will presumably be self-supporting. He has arranged, therefore, that at his age of 55 there will be brought to his attention a privilege in his life insurance contracts through which he may arrange for an income to be paid to him of about $4,200 a year for the next fifteen years, or until he is age 70 and then if he is still living $3,800 a year as long as he lives.

His deposits or premiums to secure these benefits average about $2,800 gross a year. Dividends are being left with the companies to accumulate at about a 4¾ or 5% interest rate, and it is partly upon the continuance of present dividends he is basing his results. If, however, this man does not live until age 55 he has arranged, again through the clauses in his policies, that his wife will be paid an income of between $4,500 and $5,000 a year as long as she lives. At her death, a similar income will be divided between his two children, share and share alike, to continue for their lifetime, the principal of $100,000 to be paid to his children's children or to their estates.



Through the disability benefits in his policies he has taken care of a still further contingency. If through accident or serious illness this man is unable to earn a livelihood, the annual investment which he is now making, in other words the premium deposits, will be waived for him and he will in addition be paid every month $500, or $6,000 a year. It is easily seen that this particular man has surrounded himself and his family with a real "house of protection" and that he is freer to use his money in outside investments than is the man who has not so well provided against unforeseen contingencies. So often it is the fear of loss that warps men's judgment in making investments—the fear that a loss of principal will involve others.

What is the investment

return, or in other words, where is the thrift element in life insurance arranged in this fashion?

First, assume the man lives to 55. Over the twenty years he has deposited about $56,000. He is then free to withdraw in cash a few hundred dollars more than $56,000 so that it may be said that he has written off the cost of protecting his family for twenty years at the interest he might have earned on his money. However, at 55 the mortality tables give him seventeen years more of life. The companies, however, have agreed to give him $4,200 for fifteen years, or $63,000 in all, whether he lives or dies, and if he lives only to his expectancy there will be paid him an additional $7,600, or a total of $70,600.

Truly, this would be a splendid investment for his later years and if he outlived his expectancy the above amount would be increased by $3,800 a year *as long as he lived.*

Suppose, however, that an accident should cripple him during the present year and that he lived ten years unable to work and then died. That his wife survived him by twenty years, and that his children survived his wife by twenty years. When the final ledger statement could be made up on his particular investment it would show as follows:

	Dr.	Cr.
First instalment deposit	$2,800	
10 instalments made for him during disability		$28,000
Disability payments over 10 years		60,000
20 years at $5,000 per year to wife		100,000
20 years at $5,000 per year to children		100,000
Principal		100,000
Totals	$2,800	$388,000

Only one method of accomplishing this result is shown above—today the excellent cooperation of the trust departments of our National Banks and Trust Companies makes possible a similar result by entrusting to the bank the handling of the proceeds of the policies. Another development of the past decade has been this very cooperation between the trust departments of our banks and the life underwriter. The man with the problem of estate creation and settlement can do no better than to submit his plans and hopes to either or both of these institutions, so that his estate may be properly created and distributed.

Thus life insurance serves the estate builder by eliminating the uncertainty of untimely death and assuring a protection fund for ones dependents. In this way, life insurance makes savings "safe."

Encouraging the "Insurance Habit" in the Younger Generation

Readers Bring Their Insurance Problems Up for Consultation

Conducted by FLORENCE PROVOST CLARENDON

Insurance Editor:

I would appreciate an expression from you on the following life insurance problem:

I am carrying a twenty payment life insurance of $20,000 for my son, who will be of age next month.

Seven annual premiums and four dividends have already been paid. This policy will be paid up in another six years by allowing the dividends to stand.

For my daughter, who is seventeen, I am carrying the same type of policy upon which three annual premiums have been paid.

For my daughter, who is thirteen, I am considering placing a like amount in the near future.

An insurance trust has been suggested, with sufficient collateral to pay the three premiums annually.

It has also been recommended that the paid up policy, at maturity, be divided as follows: $10,000 paid up, straight life, to remain in force and the remainder be paid out monthly as an annuity for a ten year period.

Thanking you in advance for an early response, I beg to remain,

Yours truly,
H. P.

You are a believer in the benefits of life insurance, and I am glad to see that you are inculcating this belief in your younger generation. Your ideas regarding their insurance protection is sound, and along good lines.

For your son who will come of age next month, I would suggest that if—or when—he is earning a salary he be encouraged to pay at least part of the annual premium under his $20,000 policy. This on the principle that what one works and saves to obtain is the better appreciated. Later on, when he becomes entirely self-supporting, he will doubtless take over a large responsibility for the premium payments.

For the 13-year-old daughter, for whom you are considering life insurance, I would suggest that you place the coverage on 30-*Year Endowment* plan, the proceeds at maturity (when she would be 43 years of age) to be paid to her *as income* over a definite period of years, or for life as you may deem best. Whether she is married or single, in the happy event that she lives on to the maturity of this Endowment, she will appreciate receiving an income — monthly or quarterly — *definitely her own.*

For the elder daughter, on whose life you have placed a 20-Payment Policy for $20,000, the policy, at the conclusion of the premium paying period could if you so desire be arranged as to payment of proceeds in the manner you outline.

Starting a Younger Brother and Sister

Insurance Editor:

I have a younger sister, 22 years of age, and a brother 19 years old, who are considering taking out a small amount of life insurance. They are both employed at modest salaries and are saving very little. Would you advise them to purchase endowment policies, rather than ordinary life? Also, can you inform me if the ——— Insurance Co. is regarded as a sound company, and about what the premium on such a policy would be?

Thanking you, I am,

Very truly yours,
Miss V. E.

If your young brother and sister now find it difficult to save much of their earnings, I think they would undoubtedly be encouraged and stimulated in building a thrift fund through life insurance. It has the advantage of requiring regular and stated deposits for premium payments, and the notice sent each policyholder prior to the premium date acts as a gentle compulsion in meeting the stipulated payment.

With young people of this type who have at present no dependents Endowment insurance is often more appropriate and more appealing. While protecting a beneficiary meantime, they get a vision of the ultimate gain to themselves when their Endowment matures, and they themselves reap the reward of earlier self-denial and saving. An En-

(*Please turn to page* 554)

Income Tax Department

Conducted by M. L. SEIDMAN

The Income Tax Department will appear regularly until the first March issue. Inquiries will not be answered except in these columns. The department is conducted by Mr. M. L. Seidman, C. P. A., a well-known tax expert and a close student of its various phases. Mr. Seidman, a member of the firm of Seidman & Seidman, is on the tax committee of the New York Board of Trade and Transportation and recently was appointed a State Representative to the National Tax Association Convention.

Special Note on New Tax Bill

MOST readers have no doubt noticed from the newspapers that Congress is now considering a new income tax law. The bill has already passed the House, and will now be taken up by the Senate.

As it now stands, no change is proposed that will in any way affect what we have thus far covered, except for the exemption allowed corporations. Under the present law, and as we pointed out in a preceding article, corporations are allowed an exemption of $2,000. The proposal is to increase it to $3,000. It is intended to have the new law apply to 1927 returns. It is probably going to take a little while, however, before the law is passed. The present outlook is that the new bill will not become a law until about March 1.

In the meanwhile, I shall try to keep readers informed on any developments of significance. Furthermore, I will defer as much as possible discussing those phases of the present law that are most likely to be changed, giving preference to those that will undoubtedly be unaffected.

The most outstanding feature of the new law as it will occur to the layman, is that of its form. The entire set up and arrangement of the present law has been revolutionized with the idea of making it easier for John Jones and Henry Smith to understand just what is expected of him and how much tax he has to pay. We here, however, are not so much concerned with the form of the law as its contents, and so these articles can go on without much reservation about whether they still represent the last law to be applied in the 1927 returns.

Computing the Tax

We set aside for this article a discussion of the computation of a person's tax, assuming that we know his income and the exemption that he is entitled to. In spite of the horror that people seem to have about calculating the tax, with its various rates and percentages, I think we shall find that it is rather simple.

The individual's tax is divided into two parts,—the normal tax and the surtax. There are special features such as the allowance for earned income and what is technically known as capital gains or losses. There is also the deduction in the case where a corporation issuing bonds pays part of the tax on the interest directly to the Government for the bondholder. With these special features, however, we need not concern ourselves here, except to know generally that they do exist. They will be taken up more in detail in a later article. The normal tax and the surtax are what the individual generally encounters, and hence they are ones that I am anxious for us all to have clearly in mind.

Normal Tax

The normal tax is computed on the net income after deducting the exemptions. Dividends are also permitted as a deduction in figuring the normal tax. Of the net amount remaining, the first $4,000 is subject to a 1½% tax, the next $4,000 to 3%, and the remainder to 5%. Perhaps the best way of insuring clarification is to work out an example. Let us suppose that a married man with two dependents has a net income of $20,000, of which $5,000 is from dividends. The amount subject to normal tax we said was the net income less the exemption and the dividends. His exemption is $3,500 for being a married man, plus $800 for two dependents. The amount subject to normal tax is therefore $20,000, less $9,300 for the dividends and exemption, or $10,700. The first $4,000 would be subject to a tax of 1½%, or $60. The next $4,000 would be taxed at 3%, or $120. We have now absorbed $8,000 of the income subject to the normal tax. This leaves a balance of $2,700 which is taxed at 5%, or $135. The total normal tax, therefore, is the $60, plus the $120, plus the $135, or $315. That is all there is to the computation of the normal tax. Now let us see how the surtax works out.

Surtax

The surtax is figured on the total net income, without making any deductions for exemptions, dividends or anything else. In the example we just worked out, therefore, the surtax would be figured on $20,000. The surtax begins on incomes in excess of $10,000. In other words, where a person's net income is less than $10,000 he has no surtax to pay. The rates of the tax are graduating, just as we found in the case of the normal tax. A difference exists, however, in the fact that there are more gradations. The rates range from 1% on the amount of net income between $10,000 and $14,000, to 20% on the amount of income in excess of $100,000. On incomes between $10,000 and $100,000, the general scheme is that the rate increases 1% for about every $2,000 of income, although as the income gets closer to $100,000, there is a 1% increase for about every $5,000 of additional income. Specifically, the $2,000 of income between $14,000 and $16,000 is taxed at 2%; the next $2,000 of income between $16,000 and $18,000 is taxed at 3%; the income between $18,000 and $20,000 is taxed at 4%, and so on.

It should be noted that if the income is, let us say $18,000, the surtax is not 3%. It is only on the $2,000 of income between $16,000 and $18,000 that the tax rate is 3%. In other words, in computing the surtax, we begin from the bottom of the ladder and work our way up, taking advantage of the lower rates until we have absorbed our total income. Here, too, an example may help to make the point clearer.

For the sake of completeness, let us carry through the illustration already offered where we had an individual with a net income of $20,000. We worked out his normal tax. Now let us see what his surtax would be. On the first $10,000 there would be no surtax at all. On the next $4,000, that is on the income between $10,000 and $14,000, the surtax would be 1%, or $40. On the $2,000 between $14,000 and $16,000, the surtax would be 2%, or $40. On the $2,000 from $16,000 to $18,000, the rate would be 3%, or $60. From $18,000 to $20,000, the surtax rate is 4%, or $80. The total surtax is the total of taxes computed for each of the different portions of the income, or $220. This may look complicated because of the computations that have been made for every $2,000 of income or so. As a practical matter, however, that need not be done. The return has a schedule worked out showing what the surtax is on the different amounts of income, and in that way the computation is simplified considerably.

When we have determined the total normal tax and surtax, we have gotten the biggest part of the tax calculation out of the way in the ordinary case. I mentioned before the earned income credit. That, too, comes up in every return, and has the effect of reducing the tax somewhat. Just how it works out will be explained in the next article.

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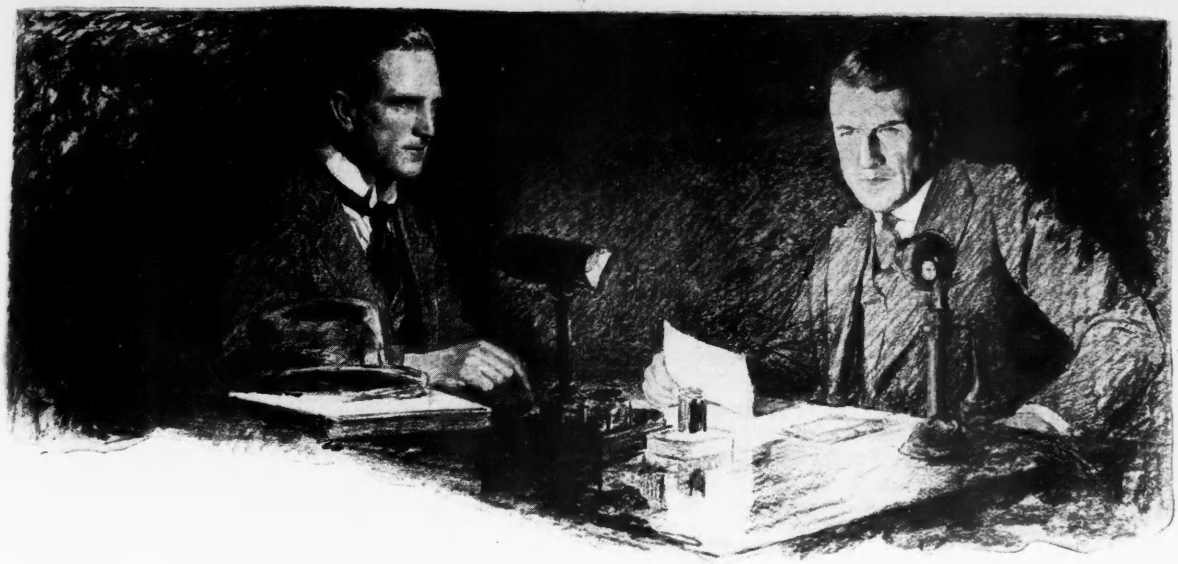

LOST: $35,000

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He hesitated. "It's gone now," he said. "In the last two months I have lost $35,000 in my business, and all because there are certain fundamental principles of business I thought I knew *and didn't.*

"But it's not too late," he concluded. "I can get back that $35,000, and this time I won't lose it. I want to enroll for your reading course before another sun sets."

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ANSWERS TO INQUIRIES

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Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1 Be brief.
2 Confine requests for an opinion to three securities.
3 Write name and address plainly.

AMERICAN CAN

Can you tell me if American Can is interested in taking over some of the other companies in that field. I saw something abdut a merger of Continental Can and some other companies which were not named. How will the inclusion or the omission of American Can in this consolidation effect its earnings? I notice that they have been going down this year and I am somewhat concerned about my holdings.—A. S. K., Milwaukee, Wisc.

A combination of over-production in the canning industry, smaller crop production and hand-to-mouth buying tactics on the part of consumers, resulted in American Can suffering a decline in earnings from $5.47 a share of common in 1925 to $4.39 a share in 1926. A large carry-over from 1926 has presented a bar to material improvement in profits in 1927, but results are expected to compare favorably with those of 1926. Meantime, financial condition is excellent and encouraging progress has been shown toward adjusting activities to the changed conditions, as well as developing new lines for the company's products, demand for the latter showing steady increase. The condition of over-production in the industry is gradually disappearing and the outlook for 1928 is, on the whole, favorable. American Can has a business volume about four times Continental Can, its leading competitor, and merger talk seems without foundation, at least for the present. However, while the shares have undoubted merit for the extreme long pull, the current income return is comparatively low, and that does not seem offset to any appreciable extent by nearby possibilities of material market price appreciation. We see little incentive to hold at present high prices.

SIMMONS

Is there a likelihood in your estimation of Simmons Company increasing its dividend very shortly? I bought my stock in January of this year at $35 a share and of course I could take a nice market profit but if the dividend is increased, I will be content to hold the stock as an investment.—P. F. L., Chicago, Illinois.

Despite a general falling off in business volume in the furniture industry as a whole, 1927 earnings of Simmons Co., due to the introduction of new products and increased efficiency in operations, are likely to be between 50% and 60% ahead of 1926, when net amounted to $2,787,000. Following retirement on November 1st of outstanding prefered stock and subsidiary bonds, capitalization is now represented solely by 1 million no par shares of capital stock, so that indicated profits in the year just closed are between $4 a share and $4.50 a share. Prosperous conditions prevailing in the various agricultural centers and reasonable assurance of sustained household equipment buying in the country as a whole in the ensuing year augurs well for Simmons. The company is well entrenched, both financially and tradewise, and action is confidently expected in the not distant future regarding some upward revision in dividend payments, over the $2 a share annual rate now prevailing. However, present prices seem to give ample recognition to the favorable aspects of the situation as it now exists and prospects for quite some time to come, and we believe you would be justified in accepting profits at this time.

AMERICAN CYANAMID

Early this year I invested $700 in 20 shares of American Cyanamid "B" stock and would like to know what you think of the outlook for this company. I see by the papers that the company is beginning to make more money and the stock has recovered from the break which carried it down to $25 a share. I now have a small profit. Do you think it worth while holding?—T. A. V., Pittsburgh, Pa.

In the past major profits of American Cyanimid were derived from the sale of cyanamid, a nitrogen fertilizer used as a component of commercial mixed fertilizers, but the last three years have been devoted to adding to the company's lines, the most important achievement being the successful development of a number of by-products, which has resulted in relative independence of the fertilizer industry. The basic product, calcium cyanamid, is made electrically at Niagara Falls, where the installation of new equipment has materially reduced production costs. Capacity has been substantially increased in the late year, and despite the expenditure of large sums for rebuilding and extending scope of activities, as well as for research work,

(*Please turn to page 544*)

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New Issue | December 28, 1927

$20,000,000

Central States Electric Corporation

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Series due 1948

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Presently to be issued and outstanding in the principal amount of $20,000,000; principal and interest to be payable in United States gold coin at the principal office of Dillon, Read & Co., New York City; interest payable January 1 and July 1 without deduction for Federal Income Tax not exceeding 2% per annum; the indenture is to contain provisions for refund of the Pennsylvania personal property tax not exceeding four mills per annum and Massachusetts taxes, measured by income, not exceeding 6% per annum; to be coupon debentures in denomination of $1,000, registerable as to principal only; to be redeemable as a whole, or in part by lot, at any time, on thirty days' notice, at 105% and interest, to and including December 31, 1942, with successive reductions in the redemption price of 1% during each year thereafter prior to maturity. Debentures to be authorized $50,000,000 at any one time outstanding; debentures in addition to the above $20,000,000 principal amount may be issued in one or more series, as to be provided in the indenture. Central Union Trust Company of New York, Trustee.

These debentures are to be convertible on or before January 1, 1938 into 6% Cumulative Preferred Stock of the company, presently to be authorized, at the rate of 10 shares for each $1,000 debenture, with certain protection for the conversion privilege in event of redemption of debentures before January 1, 1938.

The indenture is to provide for a purchase fund of $200,000 per annum for this issue of $20,000,000 of debentures, available semi-annually, to be used in the purchase of debentures of this issue if obtainable at or below 100% and interest, unexpended balances to revert periodically to the company.

The following information has been summarized by Mr. L. E. Kilmarx, President of Central States Electric Corporation, from his letter dated December 27, 1927, copies of which may be obtained upon request, and is subject to the more complete information contained therein:

BUSINESS AND ASSETS

Central States Electric Corporation, organized in 1912, is engaged in investing primarily in securities of public utility holding and operating companies. Its principal investment is in the common stock of The North American Company, in which company it is the largest single stockholder. Dividends have been paid by The North American Company on its common stock without interruption for eighteen years. For more than four years such dividends have been paid quarterly in common stock at the rate of 10% per annum.

The value of the net assets of Central States Electric Corporation as of December 16, 1927, as shown by the balance sheet of that date but adjusted to give effect to (a) issuance of these debentures, (b) redemption of the company's Secured 6% Sinking Fund Gold Debentures and (c) present market value of securities owned, after deducting all liabilities except these debentures, is approximately $58,000,000, or $2,900 for each $1,000 debenture of this issue of $20,000,000 of debentures.

Assets of the company, in addition to common stock of The North American Company, include stocks (many of which have been acquired recently) of the following companies, which represent in the aggregate an investment of approximately $4,500,000:

American Power & Light Company
Consolidated Gas Company of New York
The Detroit Edison Company
Electric Investors Inc.
Middle West Utilities Company
National Power & Light Company
Northern States Power Company (Minnesota)
Pacific Gas and Electric Company
Public Service Corporation of New Jersey
Southeastern Power & Light Company
The Washington Water Power Company

The company intends further to diversify its holdings by acquiring stocks of other companies including leading public utility holding and operating companies.

Three of the five members of the executive committee of Central States Electric Corporation are officers of The North American Company.

PURPOSE OF ISSUE

The proceeds from the sale of these debentures are to be used (a) to liquidate indebtedness incurred in connection with acquisition of stocks, including those of certain of the companies listed above, (b) to acquire additional investments and (c) to redeem at 105% the company's Secured 6% Sinking Fund Gold Debentures, which are now outstanding in the principal amount of $9,511,000 and which now constitute the company's only funded debt.

INCOME

Income and expenses of the company for the year ended December 31, 1926 as certified by Messrs. Touche, Niven & Co., public accountants, and for the year ending December 31, 1927 as estimated by the company, based on results for the period of eleven months and sixteen days ended December 16, 1927 as certified by such accountants, are as follows:

	1926	1927
Dividend Income:		
Stock dividends	$3,648,543*	$4,078,551*
Cash dividends	73,410	55,494
Other income	223,972	881,846
Total income	$3,945,925	$5,015,891
Total expenses and taxes	81,855	50,701
Balance before interest and amortization of debenture discount	$3,864,070	$4,965,190
Annual interest requirement on these $20,000,000 of debentures	1,000,000	1,000,000

*Represents dividends received in common stock of The North American Company taken at the approximate market value of such common stock immediately following the date of record for each dividend, such value averaging approximately $51 a share for 1926 and $54 a share for 1927. The present market value of The North American Company common stock is approximately $60 a share.

6% CUMULATIVE PREFERRED STOCK

The 6% Cumulative Preferred Stock, par value $100 a share, is to be authorized in the amount of $75,000,000. Subject to the prior preferences of the 7% Cumulative Preferred Stock of which $7,543,300 par value is now outstanding (and of which no additional amounts are to be issued) the 6% preferred stock is to be preferred over the common stock as to cumulative dividends to the extent of 6% per annum and as to assets to the extent of $110 a share and accrued dividends. The 6% preferred stock is to have no voting rights and is to be subject to redemption at $110 a share and accrued dividends.

We offer these debentures for delivery if, when and as issued and accepted by us, subject to approval of stockholders and of legal proceedings by counsel. It is expected that delivery will be made on or about January 10, 1928, in the form of temporary debentures, or interim receipts of Dillon, Read & Co.

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Type	Yield
Real Estate Mortgage Bonds	5.25 to 6.50%
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Industrials	5.50 to 6.50%
Municipals	3.70 to 4.50%
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Railroads	4.25 to 5.10%
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THE NEW UNITED STATES OF BUSINESS

(*Continued from page* 491)

The actual trade territory boundaries, as we finally determined them, followed very closely the conclusion indicated by the questionnaire data. In fact they were altered mainly, if at all, in the light of transportation information. Although these new "United States of Business," 183 strong, so far as wholesaling groceries and other vital lines is concerned, do not have the rigid boundaries of the 48 sovereign states they supply far better commercial units than the present political divisions. The advantage of putting these new territorial divisions into maps is that they may be visualized and so used as handily as we have been using the old political maps.

In another year or two our traders will be thinking in terms of the new commercial provinces rather than in those of the states. Maybe we will soon have names for them, certainly they will have numbers. Perhaps we will call them after their distributing centers and so get firmly fixed in our minds the wholesaling hinterland of every important city, quite regardless of state lines—so meaningless in distribution fact, but so potent from habit.

Now, you would think that if there is any industry in the United States that knows its way around in the selling game without help from the government it would be the electrical industry—so new, so modern, so conspicuous for its capital as well as its brains. Well, just the same, they put their southwestern jobbing problem up to us. The nub of the problem was that they felt sure they weren't getting the business out of that region that they figured they ought to get. Our boys got very busy and collected and classified a lot of information bearing on the capacity to consume electrical goods, such as the wiring of houses, analyses of tax records, income tax payments, number of automobiles, number of telephones, and other data reflecting purchasing power, including a shakedown of jobbing territories, similar to the grocery atlas.

Some of the information could have been secured easily by anyone, but much of it is from sources that are not lawfully accessible to the public or from which a governmental agency can secure it more readily and thoroughly. Among these sources are federal income records, postoffice figures, life insurance data, Federal Reserve records, transportation company records, telephone, etc. Besides, the electrical industry had more confidence in our study than they would have had in a private one, because they knew we would be impartial, having no irons in the fire and not being troubled with any local bias or regional patriotism. The results of this study were put into

(*Please turn to page* 534)

A BROAD BEAR MARKET AHEAD?

For the past three months, or since early October, 1927, we have had the longest period of sustained activity, with marked gyrations in individual securities, that we have experienced since the fall and winter of 1919.

This continued activity, with marked gyrations in individual issues, combined with an unusual extension in brokerage loans, make the technical position of the stock market similar, in many respects, to that of the winter of 1919-1920.

It will be remembered that eight years ago, following the marked speculation which carried into early 1920, stock market prices "collapsed," developing by the summer of 1920 into a prolonged bear market, which carried down into the middle of 1921.

1928 TO BE LIKE 1920?

Is it also to be anticipated that **1928,** like 1920, will see the development of a broad bear movement? Not a recession of the character of March, 1926, but a prolonged bear movement that, as in 1920, which will run for a period of twelve to eighteen months.

Or, in spite of the similarity in the technical position of the stock market with that of eight years ago, are fundamental, economic and business conditions so different at the present time that no prolonged bear movement is likely, and that any decline will be in the nature of a purely intermediary recession?

Is it, as a result, quite necessary to adopt an entirely different policy, today, from that which was so necessary for success in early 1920?

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a little pamphlet, and the electrical people tell us that it has solved their southwestern problem.

Then there are some technical phases of distribution, on which we ought to be able to throw some light. Take credit, for example—installment sales particularly. Merchants need to know just how much of a chance they can take and prosper. On the other hand they need to beware of a too drastic policy. On a minimum estimate the annual credit losses are a billion dollars a year due to over liberality and carelessness in following up accounts; a billion dollars is one-fourth of our entire export trade. So we are tackling this job and we have just asked Congress to give us some money for it. If we get it we will look into the various business morgues, collect credit cadavers and hold autopsies on them, examine bank and court records, credit bureaus, etc. We will find out how much credit they gave and why. Probably we shall tabulate some of the data by trade regions.

One of the technical phases we are scouting about is that of lack of contact between the manufacturer and his market. One of the greatest shortcoming of manufacturers, especially long-established ones, is their failure to keep in touch with their consumers. Every day is a brand new day in many lines of business in these swiftly moving times. Yesterday's goods may be as useless as a last year's bird-nest to the people who then took them avidly. The great merchant must understand the facts of the dynamic and integral relationship of the economic forces that surround him. The successful military commander knows what the enemy is going to do next. The successful manufacturer must foresee what his ultimate patrons are going to do next. Only recently we were called in to see a sick industry in New England. It was a case of grandfatheritis. When the 1927 owner got rid of the jobbing distribution idea and considered direct selling in suburban territory he found a ready market and profit within 50 miles.

Gone are the days when the old mill could grind away at the good old regular line, turn the product over to some jobber or wholesale house and repeat the process indefinitely. The textile industry may be taken as an illustration. Most of the mills distribute through intermediate channels, whose normal function is to take what comes to them and sell it if they can. Seventy-five per cent of the New England mills' product goes into wearing apparel and only 25 per cent industrial uses. Consider what an effect on them the changes in women's fashions have—those changes that have added so such to the brilliancy of street scenery and have resulted in less skirt and more stocking, less cloth and more hosiery. Not to be as nimble as the fashions is sometimes to commit suicide; and then you can be so nimble that you trip yourself. The newer concerns, that keep in close touch with consumers, change with them

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RIB

Are There Indications of a Sharp Reaction in Stocks

to come early in 1928?

Stocks have gone up and up. Brokers' loans have reached a new peak. Many speculative issues have rapidly advanced ten and fifteen points. Are these signs of a drastic decline — to come soon?

SHOULD investors now dispose of most of their holdings and prepare to buy in again at lower levels? Or will many stocks sell much higher before they react substantially?

Many observers scoff at the possibility of a sudden, drastic liquidation in the near future. They point to an imposing array of bullish factors—emphasizing the seemingly inexhaustible supply of cheap money. They present convincing arguments to prove that a Stock Market collapse is unlikely in the near future.

Others are equally positive that all favorable factors have been fully discounted—in many instances over-discounted. Not only is this a time to exercise extraordinary caution and selectiveness, they assert, but, in most cases, profits should now be accepted. And investors should keep the bulk of their funds liquid—waiting for a vigorous shake-out that will carry most stocks down a great many points.

Who is right? Which way will the Market move next—up or down? Are there any securities that can now be bought safely and with the hope of substantial profits?

Investment Research Bureau has just completed a thorough analysis of the present situation. New Bulletins just issued advise you with regard to the Stock Market in general and the following stocks in particular:

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COLUMBIAN CARBON
CALIFORNIA PACKING
NATIONAL DISTILLERS
LORILLARD
KENNECOTT
U. S. STEEL
TEXAS CORPORATION
STANDARD OIL OF INDIANA
SIMMONS COMPANY
BETHLEHEM STEEL
A. M. BYERS
AMERICAN SMELTING & REFINING

If you are interested in any of the above securities, or would like to know what the Stock Market is likely to do next, write today for copies of our current bulletins. They will be mailed to you free upon request, together with a copy of our booklet, "MAKING MONEY IN STOCKS." In addition, we shall be glad to send you a Special Analysis of an undervalued stock which should advance from 15 to 20 points within a reasonable time.

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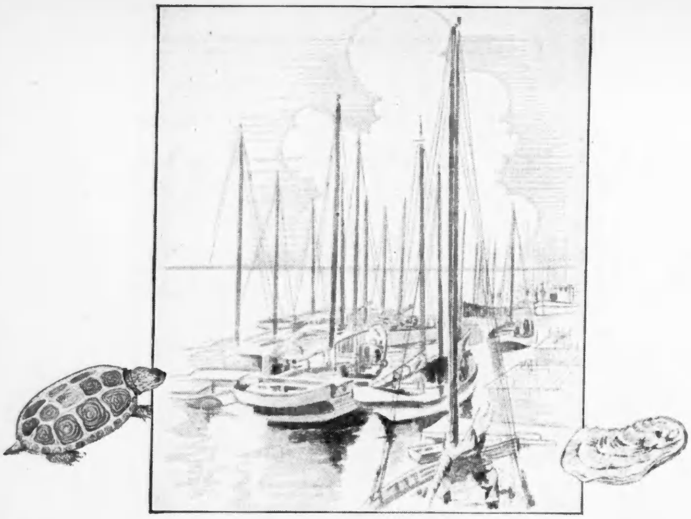

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THE productive area of the Chesapeake Bay and its salt estuaries comprises nearly 2,500 square miles of the cleanest water in North America.

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(Continued from page 534)
and alter their goods to meet changing customs and the requirements of new industries. They are running 24 hours a day, when other mills are gasping for lack of business.

Again, the marketing problem assumes the terms of trade regions. The sales manager who wants to reach out, to expand, must have some reliable indicators to steer his course by—a chart that will give him reasonable assurance of finding a market in which he can sell if he knows how to land potential customers. Heretofore the ambitious sales manager has had to grope, try various kinds of sales exploitation, send out expensive salesmen into what turn out to be market deserts, experiment with wholesalers—too many of them—, shoot costly catalogues all over the map, and otherwise elevate overhead beyond the reach of profits.

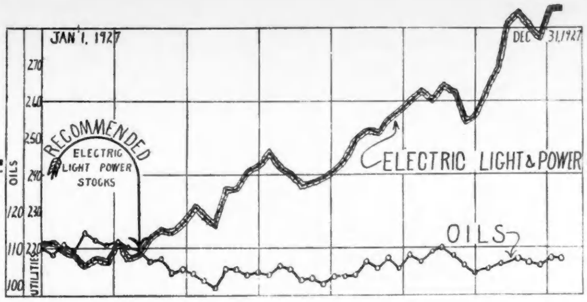
It's an enormous field for research—all the wastes of trade. Our domestic business operations total $80,000,000,000 a year, of which 10 to 15 per cent represents avoidable wastes—more than $8,000,000,000 a year. That's $3,000,000,000 more than our entire export trade—just that waste. It is to be found in three great divisions: (1) Wastes in the physical handling of goods; (2) Wastes in selling and advertising; (3) Wastes in buying. To undertake the $80,000,000,000 domestic task our Bureau has but $200,000 a year, as against $4,000,000 for foreign trade.

If we can eliminate even a small percentage of these destroying wastes we shall be able to put profits back into business, defy falling prices, and make the investor worthy of his hire.

Note: This article will be concluded in our next issue.

Important Corporation Meetings

Company	Specification	Date of Meeting
Atlantic Refining	Directors	1-16
Burroughs Adding Machine	Directors	1-16
Commercial Inv. Trust Corp	Directors	1-16
Mack Trucks, Inc	Special	1-16
Celotex Co.	Annual & Directors	1-17
Chesapeake & Ohio Ry	Directors	1-17
Howe Sound	Directors	1-17
Lehigh Valley R.R.	Annual	1-17
Paraffine Cos., Inc	Directors	1-17
Texas Co.	Directors	1-17
Austin, Nichols & Co., Inc	Directors	1-18
Continental Motors Corp	Annual	1-18
Cuban-American Sugar	Directors	1-18
Adams Express	Directors	1-19
Amer. Brown Boveri El. Corp	Directors	1-19
Atlantic Coast Line Co	Directors	1-19
Chesebrough Mfg.	Directors	1-19
Louisville & Nashville R.R	Directors	1-19
Magma Copper	Directors	1-19
Texas Gulf Sulphur	Directors	1-19
Wilson & Co.	Directors	1-19
Ohio Public Service	Directors	1-20
Southern Dairies, Inc.	Directors	1-20
Colorado Fuel & Iron	Pfd. & Com. Divds.	1-24
Federal Motor Truck	Directors	1-24
Gould Coupler	Directors	1-24
Worthington Pump & Machinery	Directors	1-24
Air Reduction	Directors	1-25
Baltimore & Ohio R.R	Directors	1-25
Childs Co.	Dividend	1-25
Goodrich (B. F.) Co	Pfd. & Com. Divds.	1-25
N. Y. Central R.R	Annual	1-25
Republic Iron & Steel	Special	1-25
U. S. Hoffman Machinery	Com. Divd.	1-25
Advance-Rumely	Directors	1-26
Am. Safety Razor Corp	Directors	1-26
Baldwin Locomotive Works	Directors	1-26
Byers (A. M.) Co	Annual	1-26
Cuyamel Fruit	Directors	1-26
Kansas City Southern Ry	Directors	1-26
Mid-Continent Pet. Corp	Pfd. Divd.	1-26
Wabash Ry.	Directors	1-26
Firestone Tire & Rubber	Directors	1-27



Are Oil Stocks A Purchase—Now?

Is the oil industry just about to "turn the corner"?

¶ Shrewd financiers are always on the lookout for a depressed industry whose stocks can be bought cheap, when just about to turn the corner. Rails a few years ago, and utilities, furnished exactly this sort of buying opportunity. Now the oil industry is depressed and oil stocks low.

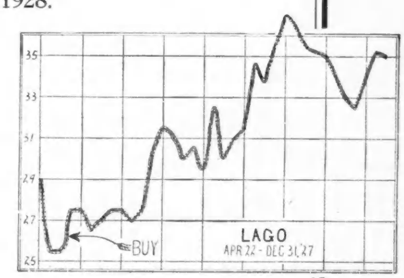
¶ Last February, at the same time many were bullish on oils, American Securities Service warned *against* these stocks. And several times since. Instead, electric light and power stocks were recommended—see diagram—which have netted most satisfactory profits.

Have oil stocks been accumulated, for a broad advance?

¶ Oil stocks, after persistent liquidation last spring, have recently been acting better. Demand for oil and gasoline is going to run at record levels in 1928.

¶ Are oil stocks, at present admittedly low, the very stocks in which to take a broad position?

¶ Or must great care be used, still, to select the *right* stocks? For instance, American Securities Service, while at that time bearish on practically all oil stocks, recommended *purchase* of Lago Oil & Transport last April, the 29th, at 26¼—see diagram—the choice stock in the oil list. Which stock in the oil list is the choice stock *now?*



Another report on oil stocks, of special value now

¶ Facts and forecasts on the entire oil industry are presented, and selected stocks pointed out, in our latest special report just prepared for our clients. This report should prove valuable, the same as previous reports have been. Few extra copies available free.

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RAILS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	Last Sale 1/3/28	Div'd $ Per Share
Atchison	125⅜	90¼	111¼	70	200	91¾	194	‡7
Do. Pfd.	103¾	96	102⅛	75	106¾	72	103	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	186	10
Baltimore & Ohio	122¼	90⅝	96	88¼	125	27⅝	117½	6
Do. Pfd.	96	77¼	80	48¼	83	38½	82⅛	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	56¼	4
Do. Pfd.	..	..	..	..	89¾	31⅜	†81½	6
Canadian Pacific	283	165	220⅛	126	219	101	209⅞	10
Chesapeake & Ohio	92	51⅛	71	35⅝	218½	46	204¼	10
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	20½	..
Do. Pfd.	181	130½	143	62½	76	7	37¾	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	87	4
Chicago, R. I. & Pacific	..	..	45¾	16	116	19⅛	111	5
Do. 7% Pfd.	..	..	94¾	44	111¾	64	110	7
Do. 6% Pfd.	..	..	80	35¾	104	54	102	6
Delaware & Hudson	200	147½	159½	87	230	83¼	183	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	137¼	‡6
Erie	61¼	33½	59½	18¾	69¾	7	65¾	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	66¼	11⅛	62⅞	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	64½	7⅛	61	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	103⅞	50⅝	97¾	5
Hudson & Manhattan	..	..	..	..	65⅞	20⅝	51½	2.50
Illinois Central	162⅛	102¾	115	85¾	139⅜	80⅞	133	7
Interboro Rap. Transit	..	..	..	..	53¾	9½	31	..
Kansas City Southern	50¼	21⅜	35⅛	13½	70½	13½	62	..
Do. Pfd.	75½	56	65½	40	73½	40	72¾	4
Lehigh Valley	121¼	62½	87⅛	50⅜	137½	39½	94⅛	3½
Louisville & Nashville	170	121	141⅞	103	159⅛	84¾	153	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	56½	*¾	40⅝	..
Do. Pfd.	*78¼	*46	*60	*6½	109½	*2	108	6
Missouri Pacific	*77½	*21⅛	38½	19⅞	62	8¼	52⅜	..
Do. Pfd.	..	..	64⅞	37½	118⅝	22¼	114	..
N. Y. Central	147¾	90⅜	114¼	62½	171½	64⅛	163¾	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	131¾	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	63⅜	9⅝	62⅛	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	41¾	14¼	31¾	1
Norfolk & Western	119¼	84¼	147⅛	92⅝	202	84¼	189¼	‡8
Northern Pacific	150½	101¾	118⅞	75	102⅛	47⅞	98⅞	5
Pennsylvania	75⅝	53	61½	40¼	68	32¼	65	3.50
Pere Marquette	*36½	*15	38⅛	9½	140¾	12⅛	99½	‡6
Pittsburgh & W. Va.	..	..	40⅝	17¾	174	21⅛	147⅜	6
Reading	89⅝	59	115½	60⅛	123¾	51⅞	105	‡4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42⅝	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	44½	2
St. Louis-San Fran.	*74	*13	50½	21	117¼	10¾	110	‡7
St. Louis Southwestern	40⅜	18½	32⅛	11	93	10⅞	76	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	30⅜	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	37¾	..
Southern Pacific	139⅛	83	110	75¾	126⅞	67½	123⅞	6
Southern Railway	34	18	36¾	12⅛	149	24¾	146	8
Do. Pfd.	86⅞	43	85¼	42	101⅛	42	100⅝	5
Texas & Pacific	40½	10¼	29½	6½	103⅞	14	102¼	..
Union Pacific	219	137¾	164⅜	101¼	197¾	110	192½	10
Do. Pfd.	118½	79¾	86	69	85½	6¼	84⅞	4
Wabash	*27⅞	*2	17½	7	81	6	64¾	..
Do. Pfd. A	*61¾	*6⅛	60⅛	30⅞	101	17	93¼	5
Do. Pfd. B.	..	..	32⅞	18	98	12¼	88	5
Western Maryland	*56	*40	23	9¼	67⅞	8	47⅜	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	67½	11	47	..
Western Pacific	..	..	25½	11	47½	12	35½	..
Do. Pfd.	..	..	64	35	86½	51½	61½	..
Wheeling & Lake Erie	*12⅞	*2⅛	27⅜	8	130	6	72⅛	..
Do. Pfd.	..	..	50⅝	16⅝	97	9¼	77	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	Last Sale 1/3/28	Div'd $ Per Share
Adams Express	270	90	154½	42	210	22	190	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	12⅞	..
Allied Chem. & Dye	..	..	..	..	169¼	34	153	6
Do. Pfd.	..	..	..	..	124	83	123½	..
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	118¾	26½	117⅞	6
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	19¾	..
Do. Pfd.	105	90	103½	89⅛	103	18	69	..
Am. Beet Sugar	77	19¾	108½	19	103¾	15⅛	16	..
Am. Bosch Magneto	..	..	..	..	143⅞	13	20¼	..
Am. Can	47⅜	6⅞	63½	19¼	*344½	*21¾	75	2
Do. Pfd.	129¼	98	114⅛	80	141¾	72	140	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	110	6
Do. Pfd.	124¾	107½	119½	100	134¾	105¾	†130	7
Am. Express	300	94¾	140½	77½	183	76½	170¾	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	10¾	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	56	..
Am. Ice	..	..	49	8⅞	*139	25¾	30⅝	‡2
Am. International	..	..	62¾	12	132¼	17	75	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	†86	..
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	112½	8
Do. Pfd.	122	75	109	93	127	96½	†126½	7
Am. Metal	..	..	..	..	67⅜	36⅛	46	3
Am. Radiator	*500	*200	*445	*235	*345	64	136¾	5
Am. Safety Razor	..	..	..	..	76¾	*3½	58½	‡4

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		Last Sale 1/3/28	Div'd $ Per Share
	High	Low	High	Low	High	Low		
Am. Ship & Commerce	..	..	..	..	47½	2½	3⅞	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	188¾	29¼	183⅞	8
Do. Pfd.	74½	24⅛	95	44	133	18	†133	..
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	41½	66¾	3
Do. Pfd.	..	..	..	..	115	78	113½	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	76	5
Do. Pfd.	133½	110	123½	106	119	67½	108¾	7
Am. Tel. & Tel.	153⅜	101	134½	90⅝	185½	92⅛	179⅜	9
Am. Tobacco	*530	*200	*256	*123	*314½	82½	175¾	8
Do. Com. B	..	..	..	..	*210	81¼	176	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	61	‡0.60
Am. Woolen	40⅝	15	60⅞	12	169½	16½	22	..
Do. Pfd.	107¾	74	102	72½	111⅞	46⅞	53¼	..
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	58¾	3
Associated Dry Goods	..	..	28	10	140½	39½	47¾	2.50
Do. 1st Pfd.	..	..	75	50½	112	49⅞	112	6
Do. 2nd Pfd.	..	..	49½	35	114	38	†114	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	†39½	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	†39	..
Atlantic Refining	..	..	..	..	*1575	78½	108⅞	4
Austin Nichols	..	..	..	..	40⅜	4¼	4⅜	..
Do. Pfd.	..	..	..	..	95	23½	24¼	..
Baldwin Locomotive	60¾	36½	154½	26⅝	265¾	62¼	256½	7
Do. Pfd.	107½	100¼	114	90	125¼	92	†119¾	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	58⅜	..
Do. 7% Pfd.	80	47	186	68	108	78	120⅜	7
Brooklyn Edison Electric	134	123	131	87	225	82	213	8
Brooklyn Union Gas	164½	118	138¾	78	157½	41	†150	5
Burns Brothers	45	41	161½	50	147	76	†99	8
Do. B	..	..	..	..	53	16¼	†17	..
Butte & Superior	..	..	105¼	12¼	37⅞	6½	9½	2
California Packing	..	..	50	30	*179½	48¼	77⅝	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	24½	1
Central Leather	51¾	16½	123	25⅞	116½	8⅜	21	..
Do. Pfd.	111	80	117½	94⅞	114	28½	100	..
Cerro de Pasco Copper	..	..	55	25	73½	23	68½	..
Chile Copper	..	..	39¼	11¼	44⅜	7	42	2.50
Chrysler Corp.	..	..	..	..	*253	38½	62¾	3
Do. Pfd.	..	..	..	..	116	100½	114½	8
Coca Cola	..	..	..	..	177¾	18	128½	5
Colorado Fuel & Iron	53	22½	66½	20½	96⅜	20	79¾	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	91	5
Congoleum-Nairn	..	..	..	*184⅜	*184⅜	12½	28⅞	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	84	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	124⅛	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	84	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	64⅞	‡2
Do. Pfd.	98½	61	113½	58⅛	142¼	96	†138	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	89⅞	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	4⅞	6⅝	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	31¼	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	23	1
Cuyamel Fruit	..	..	..	..	74½	30	51	..
Davison Chemical	..	..	..	..	81¼	20⅜	45¼	..
Dupont de Nemours	..	..	..	..	*360	105	322	‡8
Eastman Kodak	*No Sales		*605	*690	*690	70	164	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	75¼	‡5
Endicott-Johnson	..	..	..	..	150	44	78⅝	5
Do. Pfd.	..	..	..	..	125	84	†123	7
Fisk Rubber	..	..	..	..	55	5½	17⅜	..
Do. 1st Pfd.	..	..	.	..	116½	38⅛	91	7
Fleischmann Co.	..	..	..	..	*171½	46⅛	70	3
Foundation Co.	..	..	..	..	183¾	35½	49¾	..
Freeport-Texas	..	..	70⅛	25¾	106½	7½	105½	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	28	82	..
General Cigar	..	..	..	..	*115¼	46	†71	4
General Electric	188½	129¾	187¼	118	*386½	81	136	‡4
General Motors	*51¾	*25	*850	*74½	*282	*8⅛	137¼	‡5
Do. 7% Pfd.	..	..	..	125¾	125¾	95⅛	125½	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	96½	17	92¼	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	111⅛	62½	110¼	7
Goodyear T. & R. Pfd.	..	..	..	..	72½	5	71	7
Do. Pfd.	..	..	..	..	99⅛	92½	98	7
Granby Consolidated	78¼	26	120	58	80	12	43⅞	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	18	23¼	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	53½	..
Houston Oil	25½	8	86	10	175¾	40½	154	..
Hudson Motor Car	..	..	..	..	139½	19½	86⅛	5
Hupp Motor Car	..	..	11	2½	36¼	4⅝	34	1.40
Inland Steel	..	..	..	..	62⅜	31⅛	61	2.50
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	21	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	119½	5
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	55	2
Inter. Harvester	..	..	121	104	255⅝	66¾	246	‡6
Inter. Mercl. Marine	9	2⅛	50⅝	⅝	67¾	3½	4½	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	40⅛	..
Inter. Nickel	*227¼	*135	57⅛	24½	89½	24¼	85⅛	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	72¾	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	27	..
Do. 8% Pfd.	..	..	101	72	110	33	81	..
Kennecott Copper	..	..	64¼	25	90⅜	14⅝	86	5
Kinney (G. R.) Co.	..	..	..	..	103	19¾	†35	..
Lima Locomotive	..	..	..	..	76⅜	49	65¼	4
Loew's Inc.	..	..	..	..	63⅞	10	59⅜	‡2
Loft, Inc.	..	..	..	..	28	5	6⅛	..
Lorillard (P.) Co.	*215¼	*150	*239⅞	*144½	*245	23½	38	..

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Observations on

The Goodyear Tire & Rubber Company

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LISTED BONDS AND STOCKS bought and sold for cash, or carried on conservative margin

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THE GRANGER FINANCIAL REVIEW

A Review and Record of 1927

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New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1927 High	Post-War Period 1919-1927 Low	Last Sale 1/3/28	Div'd $ Per Share
Mack Trucks	..	..	..	..	242	25⅛	107	6
Magma Copper	..	..	..	..	58¾	26⅛	56	3
Mallinson & Co.	..	..	..	..	45	8	18	..
Maracaibo Oil Explor	..	..	..	..	37½	12	†15½	..
Marland Oil	..	..	..	..	63⅝	12⅛	35½	..
May Department Stores	*88	*65	*97½	*35	*174¾	*60	84¾	4
Mexican Seaboard Oil	..	..	..	..	34½	3	5¼	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	18¾	1.50
Montgomery Ward	..	..	..	..	123⅛	12	123	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	173⅛	‡6
National Dairy Prod	..	..	..	..	81⅞	30⅛	65¾	‡3
National Enam. & Stamp	30¼	9	54½	9	89½	18⅛	†26½	..
National Lead	91	42½	74⅝	44	*202¾	63½	127	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	47¼	3
N. Y. Dock	40¼	8	27	9¼	70⅜	15¼	63	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	60	§10%
Do. Pfd.	..	..	..	..	55	31⅞	55¼	3
Packard Motor Car	..	..	..	..	62	9⅞	63	‡3
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	48½	..
Do. Class B.	..	..	..	..	111¾	34⅛	44	..
Paramount-Fam. Players-Lasky	..	..	..	..	127½	40	116	‡8
Do. Pfd.	..	..	..	..	124⅛	66	121¼	8
Philadelphia Co.	59	37	48⅞	21½	153½	26½	138	‡4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	39⅝	..
Phillips Petroleum	..	..	..	..	69⅝	16	41½	3
Pierce-Arrow	..	..	65	25	99	6⅛	15¼	..
Do. Pfd.	..	..	109	88	127¼	13⅛	51½	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	29	50⅞	..
Postum Co.	..	..	..	..	*134	*47	126	5
Pressed Steel Car	56	18½	88	17¼	113¾	34⅛	77⅛	..
Do. Pfd.	112	88½	109⅛	69	106	67	88	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	42⅛	2
Pullman Company	200	149	177	106½	199½	*87¼	84	4
Punta Alegre Sugar	..	..	51	29	120	24¾	34⅜	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	26	‡1.50
Radio Corp. of America	..	..	..	..	101	25⅞	92¾	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	61	4
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	105	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	48	3.08
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	68	4
Schulte Retail Stores	..	..	..	..	*134⅞	47	52⅛	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	51	87¾	2.50
Shell Trans. & Trading	..	..	..	..	90¼	29½	†42½	..
Shell Union Oil	..	..	..	..	31¾	12⅛	25¾	1.40
Simmons Company	..	..	..	..	64¾	22	65¼	2
Simms Petroleum	..	..	..	..	28½	6⅛	23⅞	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	20⅞	..
Skelly Oil	..	..	..	..	37⅛	8⅝	27¼	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	148⅛	32⅛	124	6
Standard Oil of Calif.	..	..	..	..	*135	47½	55¾	‡2.50
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	39⅞	‡1
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	84	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	44⅜	2
Studebaker Company	49½	15¾	195	20	*151	30⅛	62	5
Do. Pfd.	98⅛	64½	119½	70	125	76	123½	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	10⅞	0.50
Texas Company	144	74½	243	112	58	29	54	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	79	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	14⅛	0.60
Tide Water Oil	..	..	225	165	*195	5½	†22¼	0.80
Timken Roller Bearing	..	..	..	..	142½	28½	132¼	‡4
Tobacco Products	145	100	82⅜	25	117⅝	45	112	7
Do. Class A.	..	..	..	..	123⅞	76	122	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	9	..
Union Oil of Calif.	..	..	..	..	58⅜	33	44½	‡2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	82⅜	‡0.80
United Drug	..	..	90⅞	64	200⅛	46¼	196½	9
Do. 1st Pfd.	..	..	54	46	61	36⅝	60½	3.50
United Fruit	208½	126½	175	105	*294	95¾	142½	‡4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	212	10
Do. Pfd.	84	40	67½	30	125	38	†118	7
U. S. Indus. Alcohol	57¼	24	171⅛	15	167	35⅛	108⅛	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	66⅛	4
U. S. Rubber	59⅛	27	80½	44	143¾	22⅛	61⅛	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	106½	8
U. S. Smelt., Ref. & M'n.	59	30⅜	81½	20	78¼	18⅜	44⅛	3.50
U. S. Steel	94⅞	41¼	136⅝	38	160⅛	70¼	151¾	7
Do. Pfd.	131	102½	123	102	141¼	104	138¾	7
Utah Copper	67½	38	130	48½	162	41⅛	148¼	6
Vanadium Corp.	..	..	..	..	97	19⅛	65	‡3
Western Union	86¼	56	105⅛	53⅝	176	76	177	8
Westinghouse Air Brake	141	132½	143	95	*198	40	46⅜	2
Westinghouse E. & M.	45	24¾	74⅞	32	94¾	38⅞	90¾	4
White Eagle Oil	..	..	..	..	34	20	20½	1
White Motors	..	..	60	30	104½	29¼	41	2
Willys-Overland	*75	*50	*325	15	40¼	4½	20⅛	..
Do. Pfd.	..	..	100	69	123⅞	23	93	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	12¼	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	192¾	5
Worthington Pump	..	..	65	23½	117	19	29	..
Do. Pfd. A.	..	..	100	85⅞	98½	44	†46	..
Do. Pfd. B.	..	..	78⅜	50	81	37	†39	..
Youngstown Sh. & Tube	..	..	..	..	100⅛	59¾	96½	5

† Bid Price. ‡ Not including extras. § In stock. * Old Stock.

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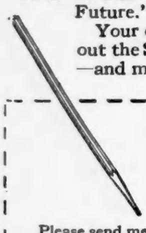

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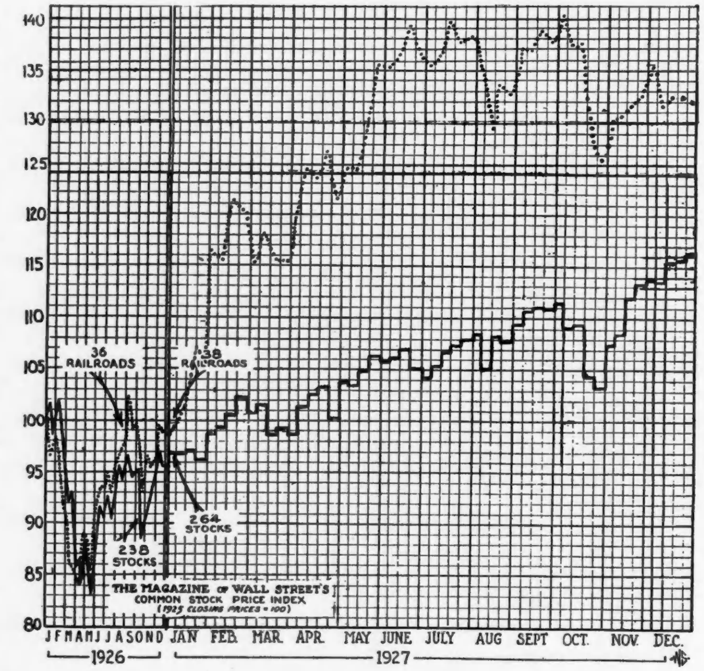
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low	Recent Indexes Dec. 24	Recent Indexes Dec. 31	1926 Indexes (238 Issues) Close	1926 Indexes (238 Issues) High	1926 Indexes (238 Issues) Low
264	COMBINED AVERAGE	116.3	95.7	115.8	116.31H	95.7	102.0	83.1
38	Railroads	140.2	98.5	132.5	132.0	98.5	102.2	84.3
4	Agricultural Equipment	109.3	63.4	109.3h	107.8	69.8	111.9	61.8
2	Alcohol	175.3	82.1	175.3H	172.1	83.6	103.2	56.6
12	Automobile Accessories	96.3	79.3	91.3	92.4	81.0	104.4	78.0
16	Automobiles	89.8	70.1	87.0	89.8h	76.4	104.0	66.7
3	Baking	93.1	63.0	88.5	86.0	82.0	108.6	69.2
3	Business Equipment	160.2	108.5	148.3	159.1	108.5	109.3	82.2
5	Chemicals & Dyes	138.5	107.3	137.1	136.4	107.3	115.5	92.0
9	Construction & Building Mat'l	96.4	77.9	94.9	94.8	84.4	101.4	71.0
3	Containers	122.0	93.5	121.7	121.6	100.1	110.8	85.7
10	Copper	179.5	105.9	179.5H	177.8	118.7	122.8	91.6
2	Dairy Products	80.0	59.8	69.9	70.4	80.0	(Begun 1927)	
4	Department Stores	100.1	70.4	90.4	90.1	73.7	101.0	67.6
4	Drugs & Toilet Articles	171.2	147.3	161.5	162.0	152.5	159.1	100.0
7	Electric Apparatus	112.2	87.4	98.8	101.4	96.1	105.2	86.8
8	Foods & Beverages	84.4	72.0	83.8	84.3	76.9	101.2	72.3
3	Furniture	127.4	89.1	122.3	127.4H	91.6	121.0	80.7
2	Leather	152.3	69.8	144.1	138.3	69.8	102.4	68.0
2	Mail Order	152.3	82.8	152.3H	149.3	88.0	101.6	75.0
5	Marine	113.4	69.5	75.2	74.9	79.6	110.8	73.0
2	Meat Packing	75.8	55.1	68.1	75.8h	74.4	102.6	69.6
5	Metals	113.7	81.9	113.7H	111.3	81.9	105.7	78.1
7	Miscellaneous	135.8	96.7	133.8	135.8h	100.0	(No record)	
3	Paper & Publishing	208.1	150.4	202.7	203.4	150.4	187.8	75.5
35	Petroleum	103.5	86.9	94.7	95.6	95.3	102.3	85.2
11	Public Utilities	132.5	93.1	128.9	129.5	96.3	102.0	82.4
1	Radio	220.4	97.2	211.7	208.0	123.6	139.5	78.8
8	Railroad Equipment	128.9	100.3	126.1	128.9H	101.4	103.3	84.8
1	Real Estate	113.5	88.5	109.0	108.4	94.4	102.8	74.3
5	Recreation	120.3	96.3	102.1	102.9	115.2	118.2	98.6
6	Rubber	97.8	64.4	97.5	96.6	64.4	114.3	59.8
13	Steel	97.3	81.1	96.9	96.7	83.9	100.6	78.8
4	Sugar	112.7	76.9	84.7	89.5	112.0	116.1	92.5
2	Sulphur	381.7	166.1	378.5	381.7H	166.1	170.0	100.0
2	Telephone	127.1	104.6	125.1	123.8	104.6	105.6	97.3
3	Textiles	106.5	71.9	80.2	79.0	92.5	104.6	57.7
9	Tobacco	169.6	144.8	167.5	166.1	147.8	148.3	94.5
5	Traction	142.4	116.4	117.3	116.4 l	127.5	136.9	94.0

H—New HIGH record since 1925.
h—New HIGH record this year. l—New LOW record this year.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1927 Index includes 264 issues, distributed among 36 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

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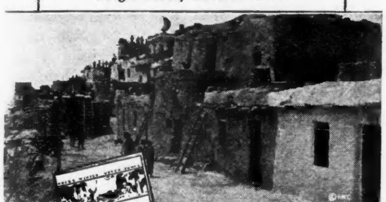

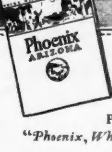

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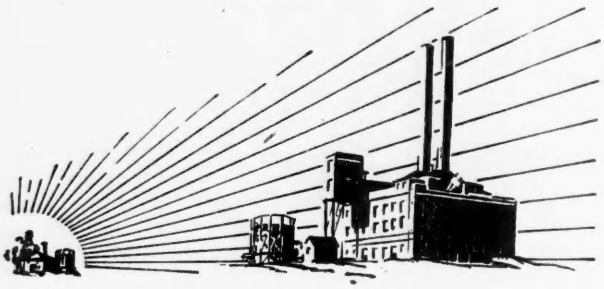

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ANSWERS TO INQUIRIES

(*Continued from page* 530)

earnings have shown marked stability, being equal to $3.09 a share on the combined 329,715 Class A and Class B shares in the fiscal year ended June 30th, 1927, against $3.99 a share in the preceding year. While definite figures in the current fiscal year are not yet available, both volume of business and earnings are understood to be running well ahead of last year. The company is well entrenched, both financially and tradewise, and seems to face a wholly favorable outlook. This situation has been reflected in improving prices of Class B stock, but the shares do not appear overvalued at present levels, and we would counsel holding for income and some further enhancement.

ALLIS CHALMERS

Your recent article showing that the agricultural industry is definitely on the advance leads me to ask you about the outlook for Allis Chalmers next year. I have been holding the stock for several years. I bought it because you had recommended it to me and I paid a trifle over $78 a share for the stock. Of course, I am very well satisfied but would like to add to my holdings if you think 1928 is going to be an unusually good year for the company and that it will pay more dividends?—G. V. C., St. Louis, Mo.

As a result of refunding operations in the earlier part of 1927, capitalization of Allis-Chalmers Mfg. is now represented by 15 millions funded debt and 260,000 shares of $100 par capital stock, and net earnings in the nine months ended September 30th, applied to present capital structure, were equal to about $7.70 a share, with indications of in excess of $10 a share, being reported in the full 1927 year. The company is a leader in the building of flour mill and sawmill equipment, and also manufactures air compressors, gas and oil engines, turbines, pumps, tractors, heavy machinery and electrical equipment. Acquisition in May last of the Pittsburgh Transformer Co. further diversifies the company's lines, and plans are now underway to increase output of farm implement division 100% this year, which, in view of the substantially enhanced buying power of the various agricultural districts, should add materially to income for 1928. Financial condition is impregnable, and action seems warranted regarding an increase in dividends over the present $6 annual rate whenever directors so elect. While current market prices seem about in line with progress to date, the outlook is distinctly favorable, and where patience is employed and the shares are held for the long pull we believe the results achieved should warrant retention.

SIMMS PETROLEUM

I lost considerable money in Simms Petroleum several years ago but recently repurchased the stock I sold out—100 shares, for which I paid

(*Please turn to page* 546)

1086 Points Net in 1927

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Jan. 14

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(Continued from page 544)

19½. I originally bought the stock at 27 and sold out at 20. Do you believe I have made a wise purchase to go back into this stock?—Y. T. N., Denver, Colorado.

Simms Petroleum was one of the first organizations to omit dividends, as a result of the depressed conditions in the oil industry which have followed in the wake of record breaking production. The company, although one of the small units, is a completely integrated organization. Earnings, however, have varied rather widely, net available for the stock having ranged from 51 cents per share in 1923 to $3.85 per share in 1925. Results in the first three quarters of 1927 sharply reflect the shrinkage in crude oil prices and, after allowing for intangible drilling costs, net profits were equal to only 3 cents per share on 689,789 shares of capital stock. Production, however, has been establishing new high records, as a result of intensive development of the company's West Texas properties and in the September quarter 1,642,800 barrels of crude were produced as compared with 1,091,300 in the previous three months' period. On the other hand, the company's financial position could be materially improved, working capital at last reports being over $1,135,000 less than at the close of 1926, and with no definite indications of improved conditions in the oil industry, the shares appear to be selling about in line with their evident value. Frankly, therefore, we feel that such speculative appeal as is afforded the stock by increasing production does not offset the risk involved and that there are more attractive oil shares that might be considered.

NATIONAL BISCUIT

I would greatly appreciate any information you can give me about National Biscuit. It was a very successful purchase for me as it cost me only $43 less than four years ago. Is there a possibility of the company declaring a stock dividend? My broker tells me he believes there will be a stock dividend.—M. W. E., Omaha, Neb.

Organized in 1898, and operating in a basic industry more or less immune from the ill-effects of industrial depression, National Biscuit has enjoyed almost consistent yearly increase in sales and earnings since organization. The company is not only the largest biscuit manufacturing company, but also one of the country's strongest and most ably managed enterprises. Earnings in 1926 were equal to $6.32 a common share, followed by $5.44 a share in the first nine months of 1927 with indications of in excess of $7 a share in the full 1927 year. Expansion has been financed wholly out of earnings, the company having plowed back millions of dollars into its various developments throughout the country, and in keeping properties at a high level of efficiency. During the earlier years of development, shareholders received very meagre returns, but dividends have been liberal in more recent years, and possibilities exist for something in the nature of an extraordi-

nary disbursement in the not distant future, perhaps a stock distribution of 30% or more, representing surplus earnings invested in the business in the last five years. However, while the outlook is for continued expansion in operations and earnings, present prices of the common discount future progress some distance ahead, and the shares are therefore more attractive for the extreme long pull rather than immediate prospects.

ST. LOUIS-SAN FRANCISCO RAILWAY

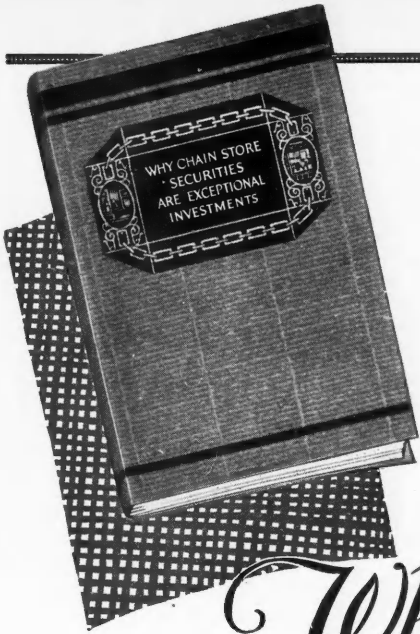
I have been a stockholder in the St. Louis-San Francisco Railroad since 1924. I paid $53 a share for my stock and hold only 20 shares. Would you advise me to continue to hold this stock, or what do you think is the outlook for the company in 1928?—A. T. C., Knoxville, Tenn.

In spite of the fact that your commitment in "Frisco" common now shows you a substantial profit, we would be willing to advocate retention for the moderately long pull. The shares are exceptionally attractive from the standpoint of current return and while the margin of safety for dividends is rather slim, the outlook seems sufficiently promising to justify confidence. Gross earnings for the first ten months of 1927 were 4% lower than in the corresponding period of 1926, but reduced operating costs should enable the road to show net earnings equal to approximately $10 per share for the full 1927 year. In addition there is an equity, for the road, in undivided earnings of the Chicago Rock Island & Pacific R. R. equal to about $2.50 per share. Financing at some time during the coming year may effect a reduction in interest charges, which, together with increased revenues from new mileage and the possibility of larger dividends from its Rock Island holdings, are favorable factors, and if you are prepared to disregard temporary market fluctuations we feel that, on the whole, an optimistic attitude is warranted.

STUDEBAKER

I will be glad to have you tell me what you can about Studebaker earnings prospects for 1928 and if you think the stock is likely to sell very much higher. You recommended it to me several months ago and I paid 51¾ for the 50 shares I hold.—D. A. T., Kansas City, Mo.

Studebaker Corporation, while not offering the wider range of models which several of its larger competitors boast, is nevertheless well represented in the medium-priced group. The products of the company have enjoyed a marked degree of public favor in recent years and to an extent which has enabled the company to disburse fairly liberal dividends on the present capitalization since 1923. The latter year, however, has to date marked the peak of earning power, net profits having been equivalent to $9.23 per share of common stock after preferred dividends. Subsequent to 1923, the company appears to have felt the in-



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Dividends and Interest

AMERICAN TELEPHONE AND TELEGRAPH COMPANY
BELL SYSTEM
153rd Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on Monday, January 16, 1928, to stockholders of record at the close of business on December 20, 1927.

H. BLAIR-SMITH, Treasurer.

MIAMI COPPER COMPANY
61 Broadway, New York

January 3, 1928.

DIVIDEND NO. 62

The Board of Directors of Miami Copper Company have this day declared a dividend of thirty-seven and one-half cents (37½c) per share for the quarter year ending December 31, 1927, on the capital stock of the company, payable February 15, 1928, to stockholders of record at the close of business on February 1, 1928. The transfer books of the company will not close.

SAM A. LEWISOHN, Treasurer.

Dividends and Interest

INTERNATIONAL PAPER COMPANY

New York, N. Y., November 29, 1927.

The Board of Directors have declared a regular quarterly dividend of one and three-quarters per cent (1¾%) on the Cumulative 7% Preferred Stock of this Company, and a regular quarterly dividend of one and one-half per cent (1½%) on the Cumulative 6% Preferred Stock of this Company, for the current quarter, payable January 16th, 1928, to holders of record at the close of business December 29th, 1927. Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD,
Vice-President & Treasurer.

JULIUS KAYSER & CO.

A dividend of One Dollar per share upon the shares of the no-par-value Common Stock of JULIUS KAYSER & CO., issued and outstanding, has been declared, payable February 1, 1928, to the holders of record of such stock at the close of business January 16, 1928.

Dividend checks will be forwarded by Blair & Co., Inc., Agent for the Voting Trustees, with respect to shares held under the Voting Trust, and by Guaranty Trust Company of New York with respect to shares not so held.

CHARLES J. HARDY, Secretary.

fluence of ever-increasing competition and earnings, while sufficient to show a fair margin for dividends, have not come up to the 1923 volume. Net for 1926 was equal to $6.45 per share, comparing with $8.34 in 1925 and for the first nine months of 1927, the common earned $5.99 per share against $6.08 in the same period of 1926. The forthcoming year will bring no relief from strenuous competition and public favor will be the leading factor in determining the success of automotive manufacturers. Studebaker, however, with a well fortified financial position, cash being in excess of 22 millions, should be in a position to "hold his own" and we are counselling retention of the stock for the present. The common has a tangible book value in excess of $52 per share and with present dividends reasonably assured, the shares do not appear overvalued.

MOTOMETER

Do you believe the dividend on Motometer is safe? I do not like the way the stock is acting and am wondering whether I should continue to hold this stock awaiting developments. I have held it a little more than a year but I have a loss of 25 points.—J. G. D., Davenport, Iowa.

Frankly, we can offer no assurance as to the safety of present dividends on the class A shares of Moto Meter Company. Reflecting a sharp decline in the demand for the company's devices for registering motor heat, earnings for the nine months to September 30, 1927, available for $3.60 preferential dividend on the class A shares, were equal to only $3.98 per share as compared with $7.32 per share in the same period of 1926. Dividends on the class B shares, as you may know, were omitted earlier in 1927. The financial position of the company, at last reports, was sound, although working capital has been depleted somewhat. The management has been endeavoring to cope with the existing situation and several new types of motometers have been recently introduced, together with a self-adjusting spark plug adaptable to high compression motors. The success of these new ventures, however, is conjectural and pending more tangible evidence of a reversal in the present downward trend of earnings, the class A shares seem destined to remain in a vulnerable position. The possibility that all of the unfavorable aspects are discounted by present quotations appears to be the only justification for holding, at this time.

BUSH TERMINAL

Would you advise the purchase of Bush Terminal for an investment at this time? You recommended it to me several months ago but unfortunately I neglected your suggestion. The stock was then selling between 45 and 50. What is the basis for the improvement which is taking place in the company's stock since you advised me to buy it?—V. J. L., Rochester, New York.

The Bush Terminal Co. operates an extensive system of docking, warehouse, and shipping facilities in Brooklyn and as a unit the company ranks

as one of the largest of its type. Earnings in 1927, up to and including the nine months to September 30th, were encouragingly ahead of results reported in the same period of 1926. Net available for the common stock, after making allowance for interest requirements, and dividends on the preferred and debenture stocks, was equal to $3.88 per share as compared with $3.17 per share in the first nine months of 1926. The improvement in earnings, however, does not alone account for the enhancement in the market value of the common stock to levels representing a gain of over 100% from the low mark of 1927. Two new eight-story buildings were completed last August, from which no income has as yet been reported, but which may be expected to add an appreciable sum to income derived from the company's various office buildings in New York and London. Plans now call for a substantial increase in rentable space in the latter city, to be available in 1929. The position of the common stock will be strengthened by the retirement of all the $2,300,000 6% preferred stock this month and with the company facing an encouraging outlook, the substantial advance marketwise in the value of the junior shares appears to have been wholly justified. For the present, however, the shares seem to be selling high enough and, in our opinion, are primarily attractive for the longer pull.

BETTER TIMES AHEAD FOR MEXICAN INVESTMENTS

(*Continued from page* 497)

row as American Ambassador to Mexico was announced, I called at the office of a man who long has had a thorough understanding of Mexican affairs and the Mexican people. I asked him if he had heard of the appointment. Receiving a negative reply I then made bold to ask what he thought of the appointment and what, in his judgment, Mr. Morrow could accomplish.

Making no reply, he brought from his inside coat pocket a letter which he had just received, and handing it to me, requested that I read it with special care.

I did so and found that it was a pitiful tale of the seizure of land by the Mexican Government, under a law recently passed, on which the writer held a mortgage, and of the division of the land among close friends of the Administration. This, according to the writer of the letter, was done under this law, which he claimed had been passed at the direction of the Government.

When I finished reading the letter, my friend said, with much earnestness: "You know I like the Mexican people. I wish them well, I regard Mr. Morrow as an unusually able man and

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RESOURCES

Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers		$209,991,163.17
U. S. Government Bonds and Certificates		43,151,317.30
Public Securities		7,497,393.61
Other Securities		22,958,096.42
Loans and Bills Purchased		481,785,400.41
Real Estate Bonds and Mortgages		4,231,863.33
Items in Transit with Foreign Branches		6,178,371.87
Credits Granted on Acceptances		58,685,156.34
Real Estate		7,387,509.75
Accrued Interest and Accounts Receivable		8,434,087.68
		$850,300,359.88

LIABILITIES

Capital	$30,000,000.00	
Surplus Fund	30,000,000.00	
Undivided Profits	7,036,720.97	
		$67,036,720.97
Accrued Interest, Reserve for Taxes, etc.		4,549,311.14
Acceptances		58,685,156.34
Deposits	$676,356,302.39	
Outstanding Checks	43,672,869.04	
		720,029,171.43
		$850,300,359.88

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probably he will prove to be an unusually able Ambassador to Mexico. But so long as the Mexican Government continues to do such things as related in that letter, I confess that I cannot become very enthusiastic as to what any representative of this Government will be able to do in dealing with the Mexican Government.

The writer of that letter is a foreigner. Often in recent years have I met in Wall Street a Mexican friend of more than twenty years' standing. Formerly he was prominent and a large property owner, in his own country. He has told me frequently that one piece of his property after another had been seized by the Government—sometimes only the best parts were taken, those being left were largely valueless in their detached form—without any remuneration being given therefor, and without the owner having any recourse in law.

The simple and lamentable fact is that the practice has been common, on the part of the Government, with large native as well as foreign land-owners.

Do not let any one think for a moment, after reading the foregoing plain, and even blunt, statements, that Mexico alone is to blame for the misunderstandings and unsatisfactory relations that have existed between that country and the United States, chiefly since the overthrow of the Diaz Government, nearly 17 years ago.

There is another side to the story. There are always two sides to every situation out of which serious trouble grows.

Before taking up the other side of this fascinating and highly important story it is gratifying to call special attenton to recent developments, both in Mexico and the United States, that promise to remove friction that has existed for some time on both sides of the Rio Grande, which could have been avoided altogether if the right thing had been done at the right time.

The Mexican Congress, last month, passed a bill making the Mexican oil law conform to a recent decision of the Mexican Supreme Court in the Mexican Petroleum case. That decision was largely in favor of the company and should materially ease the situation between the Mexican Government on the one hand and the oil companies operating in Mexico, and the United States Government, on the other.

The bill that has been passed by Congress calls for the amendment of Articles 14 and 15 of the oil regulations. Such amendments would do away with confirmatory concessions for 50 years in exchange for rights to lands acquired by oil companies before May 1, 1917.

In Mexico City it is expected that the enactment of this bill into law "will remove one of the most vexing, if not most difficult, of the differences that have existed between the Governments of Mexico and the United States in recent years."

Still more recently word has been received from Mexico City that President

Calles has been given "extraordinary powers" by Congress to "act in certain phases of the agrarian law." According to a Mexico City dispatch on December 28th, with the powers given him, the President is said "to possess the complete right to terminate the agrarian legislation and harmonize the various laws relating to the matter, with the 1927 Constitution. The measure was deemed necessary in view of the forthcoming adjournment of Congress."

These are all steps in the right direction, and as already suggested, should do considerable good. Much remains, however, for the Mexican Government to do in order to restore the confidence of the world in it, restore its credit and give Mexico its rightful place among the nations of the world.

Will this be done? These are the big steps for Mexico to take. Upon her action regarding them depends her future.

If once Americans and Europeans can feel that they are as safe in Mexico as they were in the days of Porfirio Diaz, and that their property will be given full protection, they will return to Mexico in large numbers, expand the properties they already control, add to their investments materially. Mexico will prosper, her foreign trade will increase rapidly, the United States and Europe will derive more from their relations with Mexico than ever before. The carrying out of such a program would mean the coming in of a new era for Mexico and everyone having to do with that country and her people.

Taking up the other side of this story, where it was broken off for the interjection of the most recent developments briefly outlined, it should be stated first of all that Americans visiting Mexico, and some of those who have lived in that country for long or short periods, have been to blame for much of the friction between Mexicans and Americans and even between the governments of the two countries.

It is a lamentable fact, also, that the American Government at times has contributed its share of blameworthiness. The attitude of former President Wilson toward President Huerta is a striking illustration in point. In some respects his attitude was virtual persecution.

It should not be forgotten that in the war between Mexico and the United States the latter took certain territory. This has never been forgotten by the Mexican people, its influence having been felt through all these years. The idea has existed ever since that the United States really has wanted to take all of Mexico and that we were waiting only for a good chance or pretext for doing so. Some Americans have even advocated such action during the most recent revolutionary period in the history of Mexico, but never has the idea received support from such level-headed and broadminded men as President Coolidge.

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in Mexico have done much to offend Mexicans. They often have treated them as decided inferiors to themselves, instead of approaching them in a courteous, friendly and sympathetic manner. Unfortunately, even the most prominent Mexicans in their own country have not had the opportunity of seeing many first-class Americans. This is one reason why Ambassador Morrow and Col. Lindbergh have made such a profound impression upon the leaders in Mexican affairs and upon the people as a whole.

After reading this article, take a little time to form a picture in your own mind of what a stable government, the right attitude on the part of the Mexican Government and people toward foreigners in and out of their country, and other much-needed conditions, would mean to them and their country and to the holders of securities of foreign-owned corporations now operating in Mexico.

Think of the oil, mining and agricultural machinery that would be bought in the United States and taken into Mexico and the petroleum, mineral and agricultural products that would be brought out, and the foreign merchandise that would be bought with some of the proceeds and shipped back to Mexico.

Then all friends of Mexico could shout their vivas without any mental reservations as to the undependability of the people or disturbed political conditions.

In the meantime it will pay to watch Mexican developments closely, particularly after the International Conference in Havana that is now in session. Mexican oil, mining and railroad securities should be given careful consideration by both speculators and investors, if the situation in Mexico works out as there now seems a very fair possibility of its doing.

MONEY PRIME FACTOR IN BOND MARKET

(*Continued from page* 507)

at present represent a rather full discount of future possibilities. Any tendency toward speculation or price inflation that is likely has already been concentrated in the stock market and it does not appear probable that we shall witness a duplicate of this situation in the leading commodity markets. Moreover, the tendency toward a genuine restoration of world production of basic commodities must be taken into consideration in estimating future price probabilities. From this situation, one cannot easily come to the conclusion that a general advance in the price of wholesale costs or in the cost of living is at hand.

If commodity prices are stabilized around present levels or react somewhat, the threat against extra pressure on the money market would be

reduced. The main source of danger is in the excessively high level of stock prices and the tremendous amount of funds now utilized for stock speculation. Should the stock market's technical position become seriously weakened and an abrupt decline take place, there would probably be a sympathetic response in the bond market though, of course, to a much more limited extent.

Summarizing briefly, it appears that the outlook for bonds during the next few months is that they will either about hold present levels or, more probably, lose a little ground, and that they will then recover as money rates ease. The greatest internal weakness of the bond market is in the tremendous number of new securities offered, a definite percentage of which, in the event of a business depression several years hence, might be weakened from an investment standpoint. Old-line investment issues, of course, are in a secure position both by reason of the ultimate outlook for cheaper money rates and, second, their comparatively limited supply.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Annual Rate		Amount Declared		Stock Record	Payable
$2.52	Assoc. Dry Gds. com.	$0.63	Q	1-14	2-1
6.00	Atlas Powder pf....	$1.50	Q	1-20	2-1
0.80	Continental Motors ..	$0.20	Q	1-14	1-30
7.00	Abraham & Straus pf.	$1.75	Q	1-15	2-1
2.00	American Can com..	$0.50	Q	1-31	2-15
3.00	Anacenda Copper....	$0.75	Q	1-14	2-20
3.00	Archer-D.-Mid. com..	$0.75	Q	1.21	2-1
7.00	Archer-D.-Mid. pf....	$1.75	Q	1-21	2-1
6.00	Balt. & Ohio com...	$1.50	Q	1-14	3-1
4.00	Balt. & Ohio pf.....	$1.00	Q	1-14	3-1
7.00	Byers, A. M., pf.....	$1.75	Q	1-16	2-1
4.00	Chic. Yellow Cab....	$0.33⅓	M	1-20	2-1
3.50	City Stores, A.......	$0.87½	Q	1-15	2-1
2.50	Com'w'lth Pow. com.	$0.62½	Q	1-11	2-1
6.00	Com'w'lth Pow. pf..	$1.50	Q	1-11	2-1
6.50	Con. Cg. pr. pf. init.	$1.62½	Q	1-16	2-1
6.00	Crucible Steel com...	$1.50	Q	1-14	1-31
7.00	Cuba Co. pf.........	$3.50	SA	1-16	2-1
2.40	Fair, The, com......	$0.20	M	1-21	2-1
7.00	Fair, The, pf........	$1.75	Q	1-21	2-1
4.00	Freeport Texas	$1.00	Q	1-14	2-1
....	Freeport Texas	$0.75	Ext	1-14	2-1
7.00	Gimbel Bros. pf.....	$1.75	Q	1-14	2-1
3.00	Gold Dust com......	$0.75	Q	1-17	2-1
7.00	Gotham Hosiery pf..	$1.75	Q	1-16	2-1
1.00	Ind. Oil & Gas......	$0.25	Q	1-16	1-30
4.00	Ind. Pipe Line.......	$1.00	Q	1-20	2-15
....	Ind. Pipe Line......	$1.00	Ext	1-20	2-15
7.00	Kelsey-Hayes pf. ...	$1.75	Q	1-20	2-1
2.50	Lehigh Valley Coal..	$1.25	SA	1-14	2-1
3.60	Liquid Carbonic	$0.90	Q	1-20	2-1
7.00	Louisville & Nash...	$3.50	SA	1-16	2-10
5.00	Macy (R. H.) & Co. com.	$1.25	Q	1-28	2-15
....	Macy (R. H.) & Co. com.	5%	Stk	1-28	2-15
6.00	Natl. Lead pf. B....	$1.50	Q	1-13	2-1
3.00	Packard Motor	$0.25	M	1-14	1-31
4.00	Reading Co. com....	$1.00	Q	1-12	2-9
7.00	Royal Typewriter pf.	$3.50	SA	1-16	1-17
6.00	St. L.-San Fran. pf..	$1.50	Q	1-14	2-1
0.80	Telautograph com....	$0.20	Q	1-14	2-1
3.60	Thompson, J. R. ...	$0.30	M	1-23	2-1
5.00	U. S. Ind. Alc. com..	$1.25	Q	1-16	2-1
7.00	Univ. P. L. Rad. pf.	$1.75	Q	1-16	2-1
4.00	Vick Chemical	$1.00	Q	1-16	2-1
7.00	Vivaudou V. Inc. pf.	$1.75	Q	1-13	2-1
5.00	Wabash Ry. pf. A..	$1.25	Q	1-25	2-25
7.00	Weber & Heilb. pf..	$1.75	Q	1-18	2-1
3.00	Wrigley, W., Jr., Co.	$0.25	M	1-20	2-1

Electric Auto-Lite Co.

Analyzed in our latest WEEKLY REVIEW

Copy MW-34 on request

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New Uses . . . New Plant . . . Add to the Property Behind Bell Telephone Securities

MORE and more, people are relying upon the telephone for the transaction of their daily business and social affairs. More than 700,000 telephones are added to the Bell System each year. Each year nearly a billion more telephone calls are made than were made the year before. The "Long Distance" habit is rapidly expanding.

Some vital facts about A. T. & T. as an investment:

Bell System Service has grown and is growing with the nation. Its management is far sighted, conservative, and yet progressive. The system has a plant investment of more than $3,000,000,000. It operates more than 55,000,000 miles of wire, of which 37,000,000 miles are in underground cables. A. T. & T. owns more than 91% of the combined common stocks of the Associated Companies in the Bell System.

Write for booklet "Some Financial Facts".

BELL TELEPHONE SECURITIES CO. *Inc.*

195 Broadway New York City

INSURANCE DEPARTMENT

(*Continued from page 527*)

dowment Policy on the 20-Year, 25-Year, or even 30-Year form would build up an excellent thrift fund for these young people.

The company you mention is an excellent Old Line institution, well managed, and with a reputation for equitable and liberal treatment of its policyholders.

How Much Insurance to Carry

Insurance Editor:

I should also appreciate your having your insurance department advise me as to certain insurance which I contemplate placing, the facts concerning which I set forth below.

I am 25 years of age, single, have an income of approximately $2500 and at the present time carry the following insurance.

Description	*Amt.*	*Prem.*
1 *policy*, 20 *prem.*, 54 *yr. en...*	$1,000	$31.70
1 *policy*, 20 *pay. life..........*	1,500	44.45
1 *policy, ordinary life..........*	2,500	48.08
	$5,000	$124.23

At this time I am considering the taking out of a policy for about $3,000 to $5,000. I have discussed the matter with several insurance agents and it appears to me that the best policy is one of the so called endowment at age 60 or 65. The one I have especially in mind is with the ——— Co. and calls for the payment of premiums for 22 years. At this time the cash value may be drawn out and the protection discontinued or paid up insurance may be taken on which dividends are paid. At age 65 this matures and may be withdrawn in cash or in the form of a monthly income. The cost for a $5,000 policy of this kind is $100.70 per year.

Thus were this placed the total cost of all the policies would be about $225 per year. All of the above policies now carried are in various mutual companies, and I am leaving the dividends accumulate with the Co's.

With the exception of the one ordinary life policy all the policies (including the one I am now contemplating taking out) will be paid by the time I am about 48; thus I shall have them completed by the time I have reached the age when I cannot expect my income to increase to any extent.

I shall appreciate very much your informing me as to your opinion on this matter. Is the amount carried sufficient, are the policies of the right nature and what do you think of the policy which I outlined in detail and I am considering placing?

Yours truly,
R. M. G.

It is a good rule—and one which has been proved in practice—to divert about 1/10 of the annual income towards the payment of life insurance premiums, and 1/10 towards conservative investments, savings bank or other good thrift channels.

You are young, and will probably marry and be the head of a family later on. It is an excellent idea, therefore, for you to take on life insurance now, increasing your holdings as your income and family circumstances dictate, and thus lay the foundations of your estate.

The form of policy you are considering—Endowment at age 60 or 65—is a very good plan at your age; requiring the payment of premiums over that period of your life when you would doubtless be in active business, and ceasing at an age when you would be in the mood to lesson your activities,

AMERICAN WATER WORKS AND ELECTRIC COMPANY
INCORPORATED
(of Delaware)

NOTICE OF DIVIDENDS

A quarterly dividend of **twenty-five cents (25c)** a share, payable **in cash**, on the common stock of the Company, has been declared payable **February 15, 1928**, to common stockholders of record at the close of business on February 1, 1928.

An additional dividend on the common stock, payable in common stock at the rate of 1/40th of one share on each share of such stock outstanding, has been declared payable on February 15, 1928, to common stockholders of record at the close of business on February 1, 1928.

W. K. DUNBAR, *Secretary.*

INTERNATIONAL PAPER COMPANY

New York, December 28th, 1927

The Board of Directors have declared a quarterly dividend of Sixty (60c) Cents a share on the Common Stock of this Company, payable February 15th, 1928, to Common stockholders of Record at the close of business February 1st, 1928.

Checks to be mailed. Transfer books will not close.

OWEN SHEPHERD,
Vice-President & Treasurer.

ANACONDA COPPER MINING CO.
25 Broadway.

New York, December 27th, 1927.

DIVIDEND NUMBER 98.

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Seventy-five Cents (75c.) per share upon its Capital Stock of the par value of $50 per share, payable February 20th, 1928, to holders of such shares of record at the close of business at 12 o'clock, Noon, on January 14th, 1928.

A. H. MELIN, Secretary.

and when the Endowment would be particularly welcome. It gives protection to a beneficiary over a long term of years, assuming that you are fortunate in living on to attain three score years. The company you mention is an excellent Old Line institution, well managed, and giving liberal treatment to its policyholders.

A School Teacher's Problem

Insurance Editor:

I would appreciate it very much if you will give me your ideas as to suitable life insurance for a young lady thirty-one years of age who is employed as a school teacher with an income of approximately $1,800 *or* $2,000 *a year. This party has been saving a considerable amount each year which properly invested gives a return far better than could be secured through insurance. However, I am of the opinion that she should carry at least a sufficient amount of insurance to take care of her in her old age. At the present time she does not have any dependents, and it is not probable that she will have.*

Any suggestions that you can give me will be appreciated very much.

Very truly yours,
J. W. S.

I have your letter asking advice regarding insurance protection for a school teacher, a young woman now 31 years old.

This young lady could with advantage consider applying for an "Income Bond" as this particular type of deferred annuity is called in some companies. The contract is issued without medical examination and provides a monthly income for life, beginning on the policy anniversary nearest age 55, 60, 65, or 70 (as selected when applying by the prospective annuitant)—usually in multiples of $10, i. e.: $10, $20, $50, $100, etc. In event of death before the annuity date the company guarantees to return all premiums paid. In event of death after the annuity commences the company guarantees to return any excess of annual premiums paid over income received. Other benefits and privileges are included, all of which would, of course, be fully explained by the agent who is approached on the subject.

I have before me rates of one Old Line company for this Annual Premium Income Bond, and their figures on a *participating* basis with annual dividend reductions, will give you an idea of the cost on a woman's life: at your age an income of $10 a month to begin at age 55 would cost $52.50 annually and to begin at age 60 would cost $33.18 annually.

The cost for a larger income can readily be obtained by multiplying by the proper figure; thus for an income of $50, the cost would be 5 times the annual premium noted above.

By the applicant's submitting to a medical examination, the Disability Benefit will be included in the contract, so that in case of total and permanent disability occurring before age 60, future premiums will be waived, with the payment until the annuity date of an amount equal to the income of the contract—which latter is thereafter payable.

Who are these Investors?

An Advertisement of the
American Telephone and Telegraph Company

TEN years ago fifteen of the largest corporations in the United States had a total of approximately 500,000 stockholders. Today the American Telephone and Telegraph Company alone has more than 420,000 stockholders.

This is an instance of the amazing growth of saving and investment that has taken place in this country. Who are these new investors?

American Telephone and Telegraph stockholders come from every rank and file in every state, nearly every town and city, in the land. Mechanics and merchants, teachers and bankers, laborers and lawyers—every station of life is represented in this investment democracy. And it is a democracy, for the average holding is only 26 shares. No one person owns as much as 1% of the total stock.

The American Telephone and Telegraph Company and its associated companies comprising the national Bell Telephone System are owned by the people they serve.

CLUETT, PEABODY & CO., INC.

Common Stock Dividend No. 50

The Board of Directors has declared a quarterly dividend of One Dollar and Twenty-Five Cents per share on the Common Stock of the Company, payable February 1, 1928, to Stockholders of record at the close of business January 21, 1928. Checks will be mailed by the American Exchange Irving Trust Company of New York.

D. A. GILLESPIE, Treasurer.
Troy, N. Y., January 4, 1928.

BIG BUSINESS OPPORTUNITY

$400 KEI-LAC MACHINE EARNED $5040 IN ONE YEAR; $240 machine earned $1440; $160 machine earned $2160. One man placed 300. Responsible company offers exclusive advertising proposition. Unlimited possibilities. Protected territory. Investment required. Experience unnecessary. NATIONAL KEI-LAC CO., 557 W. Jackson Blvd., Chicago, Ill.

Th: West Penn Electric Company

NOTICE OF DIVIDENDS

The Board of Directors has declared the regular quarterly dividend of one and three-quarters per cent. (1¾%) upon the 7% Cumulative Preferred Stock, and the quarterly dividend of one and one-half per cent. (1½%) upon the 6% Cumulative Preferred Stock of The West Penn Electric Company, for the quarter ending February 15, 1928, both payable February 15, 1928, to stockholders of record at the close of business on January 20, 1928.

G. E. MURRIE, *Secretary.*

Oldest Real Estate Bond House-Founded 1855

New Book

Sent Free to Mortgage Bond Buyers

Whether you have $100, $500, $1000 or more to invest, a careful reading of our current Investment Guide will prove of great benefit to you. This book, just off the press, is now in its 146th Semi-Annual Edition, its 73rd year. It points the way to protection and most liberal interest return.

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Each Greenebaum First Mortgage Real Estate Bond is approved and recommended by the Oldest Real Estate Bond House. For nearly three-quarters of a century, every Greenebaum Safeguarded Bond, principal and interest, has been promptly paid to investors.

Send for Investment Guide

Our Investment Guide will lead you to complete investment satisfaction and service, wherever you live. Send today. No obligation incurred, of course. Use attached coupon.

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Without obligation please send copy of January Investment Guide which explains how to invest surplus funds at the highest interest consistent with safety.

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Street ____________

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Are You Sacrificing Income for a Speculative Profit?

For the past three years, interest rates have been declining. Securities that have followed the rising market are still attractive to those who look for a further increase in prices. But from the point of income return alone, few of them seem desirable to the investor.

With safety that is unquestioned, Baird & Warner Bonds will give you a higher interest return than most of these speculative investments. Furthermore, their stability of price is important when the market fluctuations of speculative securities are highly uncertain.

"The Application of Real Estate Knowledge to Real Estate Bonds" tells you in simple, interesting, non-technical language the cardinal rules by which we are guided in selecting our first mortgage investments—the kind that have proven 100% safe for seventy-three years. Write for your copy of this valuable book—it's free.

FOUNDED 1855
BAIRD & WARNER INC.

BONDS AND MORTGAGES

134 So. La Salle St., Chicago, U.S.A.

MACK TRUCKS, INC.

(Continued from page 505)

situation which was developing. During the intervening period the company has been adjusting itself to these changed conditions, and expansion which takes place from now on will be on a healthy basis and far more significant.

Mack Trucks during its era of prosperity since 1921 consistently maintained a dividend policy conservative in relation to earnings. Even though earnings fell off from their former standard, therefore, no revision of the $6 annual rate on the common became necessary, as no difficulty in earning comfortably in excess of that amount has been encountered. The strength of the financial position is well illustrated by the recent action in calling for redemption both issues of preferred stock, and without recourse to any new financing. An amount in excess of 17 millions was entailed. Except for a small note issue of a subsidiary, this will leave the company with no capital obligations prior to its common stock, and consequently increase the proportion of gross revenues available for the common.

The company is maintaining its position of leadership in the commercial vehicle field, an industry which, subject to occasional temporary interruptions, possesses remarkable possibilities of future growth. Under these circumstances it will not be surprising if Mack Trucks common becomes a considerably more dominant factor in the stock market before many months have elapsed.

SUGAR

(Continued from page 520)

confident consumer buying. As a consequence refiners meltings at present are materially below last year, and it is reasonable to suppose that invisibles are similarly situated.

From a future standpoint this inventory position is favorable in view of the fact that total stocks in Cuba are about 250,000 tons larger than at the close of 1926, and the replenishment of domestic stocks is almost certain to better the situation to some extent. But how far this possible improvement will go is of course problematical, depending on consumption in early 1928.

From present aspects Cuban producers are less favorably situated than Porto Rican or American beet, both of which enjoy the advantage of a protective tariff. Indeed with higher cost of production their prosperity is essentially predicated on the tariff at present price levels. The profit prospects

for all producers in 1928, however, are dependent on the success with which crops of the world are limited in accord with consumption requirements. The same may be said of course of the domestic refiner, although the recent formation of the Sugar Institute is a constructive measure which, if it fulfills its avowed purpose, will do much to relieve some of the price cutting evil which has beset this division of the industry as a result of its over-developed refining capacity and the ensuing competition.

RAILROAD STOCKS IN STRONG POSITION

(Continued from page 510)

evidenced by the ability of the market to absorb enormous security issues throughout the year while money tended easier and general bond prices rose. Part of this investment power of the country has gone into railroad stocks with the consequence of slowly but steadily rising prices. Nothing is apparent which will interrupt this process as easy money is anticipated for 1928 along with an investment demand which will in all likelihood consider a yield of 5% quite adequate for the standard rails whose dividends may be regarded as secure. In the case of the non-dividend paying carriers, possibilities of dividends may well be more highly capitalized so that all in all the railroad stock market should be generally firm throughout the year. For the investor who is buying securities for their present yield and long term possibilities the rails stand out as a meritorious medium as there is an excellent chance for steady appreciation in their market value.

For Help in Solving Your Life Insurance Problems Consult Our Insurance Department

Start 1928 with a Definite Investment Plan

You can easily build an independent income by setting aside regularly every month a definite amount for investment. The amount may be large or small—as much as you can afford. It's regularity of investment that counts.

Let us send you full information about an Investment Plan by which thousands of men and women are successfully and easily working their way toward financial independence.

The coupon is for your convenience

Henry L. Doherty & Company
60 WALL ST. NEW YORK
BRANCHES IN PRINCIPAL CITIES

Please send, without obligation, full information about a definite Investment Plan for 1928.

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Share in the Income and Profits of

98 LISTED STOCKS

with a Single Investment

Investment Trust Certificates of the Investment Corporation of North America, enable both large and small investors to become part owners in this group of securities. Each of the stocks has been carefully selected for its investment value—each one is listed on the New York Stock Exchange—and all are deposited in trust with the Empire Trust Company, New York City.

The investment value of this selected group of securities may be gauged by the fact that, in the five-year period 1922-1926, the appreciation in value exceeded 90% in addition to having paid cash dividends averaging more than 7% a year.

Write for booklet 7W giving full details.

DEALERS: Write for details of our dealer plan. Attractive territory still open.

INVESTMENT CORPORATION OF NORTH AMERICA
Woodward Building Washington, D. C.

8% N.C.C.A. Certificates

An Attractive Investment

1—National Cash Credit Ass'n is a holding Company with 9 subsidiary companies having 34 offices in 7 States.

2—N. C. C. A. Certificates of Indebtedness are a direct obligation against the entire assets of the Association.

3—There are over 5,000 holders of N. C. C. A. Securities.

4—They are redeemable on demand at any time after one year.

5—Carrying interest at the rate of 8%, your investment doubles in 9 years.

6—They are issued in sums of from $25,000 down to $25.00.

7—Interest can be drawn monthly which enables you to re-invest funds promptly or meet monthly expenses.

8—The Association has shown consistent growth and substantial increase in profits every year.

We invite you to call at our office, or, if more convenient, mail coupon asking for circular 94.

National Cash Credit Corp.

141 Broadway
New York

Name ....

Address ....

Please send booklet 94

PUTS & CALLS

If stock market traders understood the advantages derived from the use of PUTS & CALLS, they would familiarize themselves with their operation.

PUTS & CALLS place a buyer of them in position to take advantage of unforeseen happenings.

The risk is limited to the cost of the Put or Call.

Explanatory booklet 14 sent upon request. Correspondence invited.

GEO. W. BUTLER & CO.

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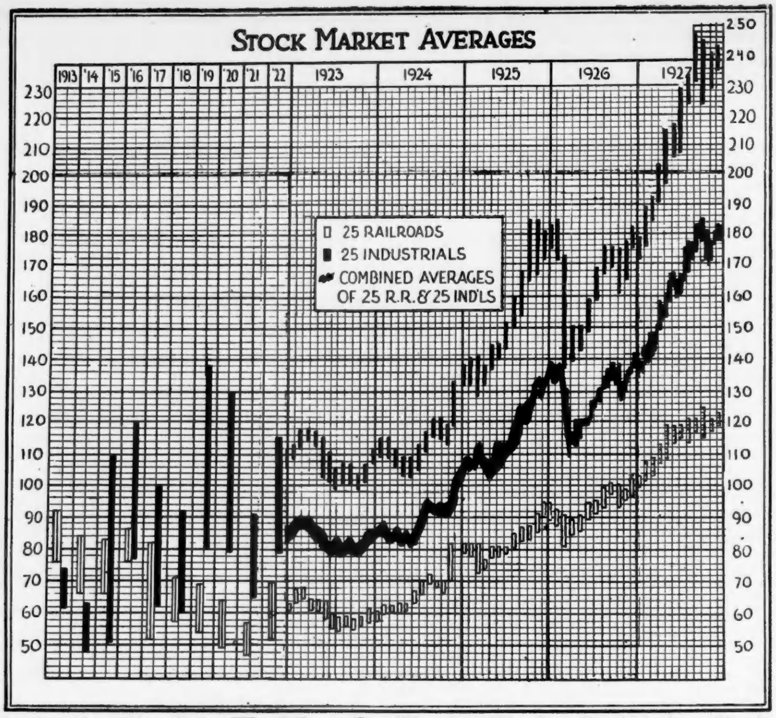
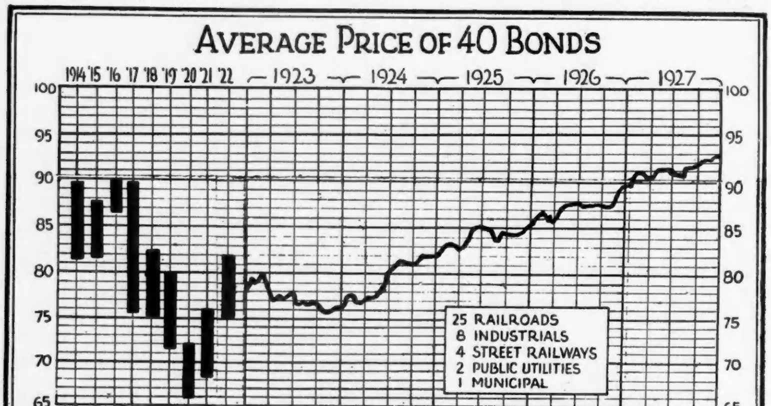


MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, December 22..........	92.70	200.62	141.19	181.93	180.52	2,593,434
Friday, December 23............	92.65	200.81	141.21	182.10	180.47	2,268,670
Saturday, December 24..........	92.67	200.30	141.52	182.10	181.16	1,279,200
Monday, December 26............		Holiday		Holiday		Holiday
Tuesday, December 27	92.64	200.32	141.11	182.73	181.00	2,148,690
Wednesday, December 28........	92.72	198.60	139.71	182.90	180.35	2,559,851
Thursday, December 29..........	92.69	199.96	139.29	182.13	179.85	2,445,810
Friday, December 30............	92.86	200.70	139.93	182.23	180.45	2,282,125
Saturday, December 31..........	92.90	202.40	140.30	182.28	181.27	1,124,200
Monday, January 2..............		Holiday		Holiday		Holiday
Tuesday, January 3.............	92.85	203.35	140.61	183.19	181.52	2,432,820
Wednesday, January 4...........	93.07	202.24	140.39	183.22	181.26	3,228,300



A Correction Regarding Great Northern

Note: This letter is reprinted practically verbatim. It was written by Mr. Martin to the author of the article referred to in the following.

"Referring to your article in the December 5th issue of THE MAGAZINE OF WALL STREET on 'Stock Dividend Possibilities Among the Leading Rails.'

"I am handing you herewith a statement for the Great Northern Railway made out upon what I consider the proper use of figures following your plan.

"I find that the Funded Debt held by the company has been duplicated in the figures for total Capital Liabilities. In your statement you have taken for Funded Debt Outstanding the total book liability which includes the amount held by or for the company and to this you have added the amount of Funded Debt held by or for the company, thereby duplicating this amount in your figures. You have also used figures as of December 31, 1925, for the Great Northern instead of December 31, 1926, as stated by the article.

"The statement attached shows that instead of a deficiency of Capitalizable Assets over Capital Liabilities there is an excess of 18.7% as shown by tables on pages 18 and 19 of the magazine and instead of an excess of only 19.1%, shown by table on Page 82, which eliminates the Funded Debt held by the company, there is an excess of 49.2%.

"I consider this a very grave error and believe that the Great Northern is entitled to a correction which will properly state the situation.

"G. R. MARTIN,
"Vice President."

Great Northern Railway Company

CAPITALIZABLE ASSETS			December 31, 1926
Book Investment in Road and Equipment		$480,883,384	
Less accrued depreciation		29,570,811	
			$451,312,573
Improvements on Leased Railway Property			131,571
Deposits in lieu of Mortgaged Property Sold			38,158
Miscellaneous Physical Property		5,283.568	
Less accrued depreciation		36,029	
			5,247,539
Book Investment in Affiliated Companies		242,686,819	
Less advances to affiliated companies		21,347,915	
			221,338,904
Cash (Ave. 1921-1925)			17,401,174
Material and Supplies (Ave. 1921-1925)			9,653,340
Total Capitalizable Assets			$705,123,259
CAPITAL LIABILITIES			
Capital Stock Outstanding		$248,934,950	
Funded Debt Outstanding	$332,315,215		
Held by or for Company	76,150,394		
Debt to Affiliated Companies	1,079,329		
		409,544,938	
Total Capital Liabilities			658,479,888
Excess Capitalizable Assets over Total Capital Liabilities			$46,643,371
Par Value Stock Outstanding			249,620,550
% Excess Capitalizable Assets to Par Value Stock Outstanding			18.7%
OMITTING FROM CAPITALIZATION THE FUNDED DEBT HELD BY THE COMPANY			
Excess Capitalizable Assets over Total Capital Liabilities			$122,793,765
Par Value Stock Outstanding			249,620,550
% Excess Capitalizable Assets to Par Value Stock Outstanding			49.2%

FUNDAMENTAL IMPROVEMENT IN COPPER

(*Continued from page* 514)

on the property. As a result, over-production has been less extensive than it might have been on the basis of aggregate capacity.

Another factor of importance was the formation of an export association in 1926 under the name of Copper Exporters, Inc., which arrived at the psychological time to provide a greater stability to foreign selling prior to the revival in demand now under way. A still more recent development was the organization of the Copper Institute, designed as a means of gathering more reliable essential data for the joint use of the various units in the industry, in order that they may be fully informed in regard to the situation existing at any particular time.

The copper industry then is better equipped fundamentally than ever before to take advantage of improving trade conditions. The principal danger at this stage is in a too rapid advance in the price of the metal, which has a decided tendency to bring out an excess of production. A situation of this kind has been encountered so frequently in the past, however, that there is little question that every effort will be made to prevent its recurrence. Extravagant expectations in regard to the better type of copper securities at this stage should be subordinated to a conservatively constructive attitude.

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DIVIDEND NOTICE

The Board of Directors of American Commonwealths Power Corporation has declared the regular quarterly dividend of $1.75 per share, payable on February 1, 1928, to First Preferred Stockholders of record at the close of business January 14, 1928.

There has also been declared the regular quarterly dividend of $1.75 per share, payable February 1, 1928, to Second Preferred Stockholders of record at the close of business January 14, 1928.

Checks in payment of dividends will be mailed.

FREDERICK E. WEBSTER,
Treasurer.

January 4, 1928.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

December 27, 1927.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 28 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable February 1, 1928, to common stockholders of record at the close of business January 11, 1928.

V. D. CRISP, Secretary.

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THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

	Div. Rate	1927 High	1927 Low	Last Sale Jan. 6
Anglo & London Paris Nat. Bank	$10.00	240	195	248½
Bancitaly Corporation	2.24	146	89¼	141¾
Bank of Italy, new	5.24	249⅞	171	264
East Bay Water A, Pfd.	6.00	99	95⅛	96
Federal Brandes	....	28	9⅞	28
Great Western Power Pfd.	7.00	105⅜	98⅞	104¾
Key System Prior Pfd.	....	65	9⅞	9⅞
Los Angeles Gas Pfd.	6.00	104⅝	98⅞	103½
Pacific Telephone & Tel. Pfd.	6.00	116	102	115
Pacific Gas & Elec.	2.00	48½	31¼	48

Industrials and Miscellaneous

	Div. Rate	1927 High	1927 Low	Last Sale Jan. 6
Alaska Packers' Assn.	8.00	185	160	160
California Packing	4.00	79⅛	61	76
California Petroleum	1.00	33	19	24
Caterpillar Tractor, new	1.40	56⅞	26⅜	56¾
Foster & Kleiser (cm)	1.00	15	12	14¾
Hale Brothers	2.00	36⅛	30	30
Hawaiian Coml. Sugar	3.00	53½	48	52
Hawaiian Pineapple	1.80	56	42½	45
Home Fire & Marine	1.60	42¼	28½	49
Honolulu Cons. Oil	2.00	42¼	33¾	36¾
Hunt Brothers Packing "A"	2.00	26¼	22	24½
Illinois Pacific Glass "A"	2.00	48½	31½	47¼
North American Oil	3.60	48	28¾	37¼
Paraffine Common	6.00	84	53¾	93
Richfield Cons. Oil	1.00	28½	14¾	27¾
Schlesinger A Common	1.50	23¾	20	22⅜
Shell Union Oil	1.40	31⅞	24⅜	25¼
Southern Pacific	6.00	125	106½	124
Sperry Flour Common	....	66½	44	65
Spring Valley Water	6.00	110	101¼	106
Standard Oil of Calif.	2.50	60¾	50⅝	55¼
Union Oil Associates	1.99	56⅛	37¾	42⅞
Union Oil of California	2.00	56¼	39½	43⅞
Union Sugar Common	1.00	19	9	13
Yellow & Checker Cab "A"	.80	9½	7¾	8½
Zellerbach Corporation	2.00	44	28	44⅞

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PROGRESS TOWARD STABILIZATION IN UTILITY FIELD

(Continued from page 512)

and increasing margin has been allowed to drift into receivership.

In this field market interest may be provided by the bonds as much as the stocks of sound and improving traction companies. Because of widespread prejudice and lack of public realization that many of these companies have turned the corner, first mortgage bonds of companies earning their total interest charges twice or better are available on a basis to yield 6½% or more, at a time when it is difficult to find really good railroad bonds to yield 5½%. So little are these markets governed by pure investment considerations that in some cases an underlying bond of a traction system listed on the New York Stock Exchange or otherwise enjoying broad marketability will be quoted on a basis to yield more than the legally junior holding company bonds of the same system.

Summing up, we may say that in 1928, the highest grade investment utility stocks should continue to advance in accordance with money conditions, more speculative issues be divided into sheep and goats, gas securities probably receive more prominence and the stocks and bonds of sound tractions move into line with corresponding issues in other fields.

CONSTRUCTIVE WORK

(*Continued from page* 488)

to assume such menacing proportions and business is endeavoring domestically to stabilize itself and make progress by more scientific methods, we believe that any work as serious and practical as that done by the Department of Commerce should be helped along instead of retarded.

Dividends

HUPP
MOTOR CAR CORPORATION

Detroit, Michigan, January 5, 1928

The Directors have declared a dividend of thirty-five cents (35c) per share, (being at the rate of $1.40 per year) on the Common Stock of the Corporation, payable February 1, 1928 to stockholders of record January 14, 1928. Checks will be mailed.

A. VON SCHLEGELL, Treasurer.

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The company is reported to be earning about $49 per share on each share of Preferred stock outstanding, or seven times the dividend requirement. Book value behind each share of Preferred is over $250. The market equity of the company's Common stock which follows the Preferred is approximately $2,280,000.00. Believing that Foote Bros. 7% Preferred stock is an investment of exceptional merit, we have prepared a special circular describing in detail all of the important facts relative to the company. This stock is exempt from Illinois Personal Property Taxes. Copy free on request.

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The assets of the Association have grown from the original investment of $11,000.00 on July 1, 1921, to $3,398,124.55 at the close of business on June 30th, 1927, according to the certificate of examination issued by the State Building and Loan Examiner. During the six years of existence there has been paid out in cash dividends the sum of $522,736.54 to approximately three thousand stockholders. On June 30th, 1927, the stock in the Association subscribed and outstanding amounted to $5,714,846.43.

Shares for sale at par, $100 per share, without bonus or commission of any kind. Our shares have always paid 8%, payable semi-annually, on January 1st and July 1st of each year.

Write for our booklet:
"8% and Safety"
Orange County
Building and Loan Association
Orlando, Florida

New York Curb Market

IMPORTANT ISSUES

Quotations as of January 3

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Albert Pick Barth wi.†	14¾	10	11½
Aluminum Co. of Amer.	145½	67⅞	123¼
Aluminum pfd. (6)	106⅜	101½	106
Amer. Cigar (8)	148¼	115	147½
Amer. Cyanamid "B" (1.60)	43½	25	40
Amer. Cyanamid pfd. (6)	98½	84	96⅝
Amer. Gas Elec. (1)††	125	68¼	122
Amer. Super Power A (1.2)†	41⅞	27¼	37½
Borden Co. (6)	167	101	167
Celotex Co. (3)	85¾	54	56
Centrif. Pipe (0.60)*	18⅞	9¾	11⅛
Cities Service New (1.2)†	58¾	40¼	55¾
Cities Service Pfd. (6)†	95⅜	87½	94⅝
Consol. Gas of Balt. (3)	71	50⅞	68
Consolidated Laundries (2)*	22¾	14½	15½
Durant Motors†	14⅞	5¾	9⅝
Elect. Bond Share (1)†	83⅛	66½	79½
Electric Investors†	47⅞	32⅜	42½
Fajardo Sugar (10)	167¼	150	160
Ford Motor of Canada (15)	725	393	568
General Baking A (5)*	80¾	52½	76
General Baking B*	9¼	4⅝	7⅞
Glen Alden Coal (10)†	187½	159½	169
Gulf Oil (1.5)†	118	86¼	115½
Happiness Candy Store (50)	7	4½	7
Hecla Mining (1)	18½	12⅜	17⅝
Hygrade Food Products	25½	22¾	25½
International Utilities B	11⅝	3	10¼
Johns-Manville, new (3)	126½	55½	122
Land Co. of Florida†	36	18	24
Lion Oil Refining (2.25)*	27½	20	20¼
Lone Star Gas (2)	59⅜	37	54
Metro Chain Store††	58½	30	54
Mountain Producers (2.60)†	29¼	22¾	28¼
National Fuel Gas (1)	31¾	23	27
New Mex. & Arizona Land†	16	9¼	9¾
New Jersey Zinc (12)	194¾	178	184½
Nipissing Mining (30c)*	10¾	5⅛	5⅝
Northern Ohio Power†	20¾	9⅞	19
Pacific Steel Boiler (1)*	14¾	9½	13¾
Phelps Dodge (6)	143	110	130
Puget Sound P. & L.†	38¾	28	35¼
Salt Creek Producers (2½)†	35½	27¼	34½
So'east Pwr. & Lt. (new 1)†	46	29⅜	43⅝
So'east Pwr. & Lt. Pfd. (4)	90⅞	67⅛	87
Stutz Motors*	21⅜	12⅛	18⅞
Tobacco Products Export†	4⅜	3	3½
Trans Lux*	8⅜	3½	3¾
Tubize Artif. Silk† (10)	499	145	460
Tung-Sol Lamp "A" (1.80)	24¾	17¾	19¾
United Electric Coal	37	22⅝	32½
United Gas & Improvem't (4)	118⅞	89	115
U. S. Gypsum (1.60)	110¾	82½	90

STANDARD OIL STOCKS

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Continental Oil (1)	22⅝	16¼	22¼
Humble Oil (1.6)†	68½	54	67½
International Pet. (.75)	39	28¼	36⅞
Ohio Oil (2.75)	67⅞	52	65¼
Prairie Oil & Gas†	55½	45⅝	48¾
Standard Oil of Ind. (3.5)†	81½	64¾	78⅞
Vacuum Oil (5)†	149⅞	95⅛	139½

* Listed in the regular way.
† Admitted to unlisted trading privileges.
†† Application made for full listing.

MORE irregularity developed throughout the Curb list during the past fortnight, although prices on the average were fairly well sustained. Strength in *Gulf Oil of Pennsylvania* continued, carrying this issue to a new high at 118 and *Borden Company,* which appears to have been under accumulation for some time, marked up a new high at 167. The price trend was pretty well mixed in the Standard Oil issues and the margin of trading narrowed considerably with a smaller volume of sales. There were some weak spots throughout the industrial list, with continued selling of *Celotex,* bringing this issue to a new low at 54 and a recession of about 35 points in *Ford Motors of Canada,* on new "price cut" news.

Phelps Dodge, while a bit more active of late on the Curb than normally, has failed so far to fall in line with the rather general upward movement in the copper securities on other exchanges, and at its present level of around 130 seems to offer interesting long range speculative-investment opportunities. Due to the company's policy of making liberal write-offs each year for depletion and depreciation, dividends for the two years, 1925 and 1926, were paid out of profit and loss surplus, an item that stood at close to 75 million dollars at the beginning of 1927. No official report of 1927 earnings is yet available but this period will probably be smaller than the previous year, in spite of a good final quarter. The movement in copper stocks generally, is based on the likelihood of larger earnings next year at the higher copper prices now prevailing and which it is generally felt will continue to rule for at least the early part of 1928.

Phelps Dodge made good progress in its mineral development program last year and will continue its expansion through the erection of a new plant to cost around three million dollars and to be built on some site in the Southwest, as yet undecided on as to location.

The company is capitalized at $50,000,000 through an authorized and outstanding issue of 500,000 shares of $100 par value capital stock. It has no preferred stock, bonds or bank loans outstanding and enjoys a very strong position with current assets of around 20 million dollars standing against less than 5 million notes payable, with no other current liabilities standing on the books of the company at the beginning of 1927 beyond a small item of dividends declared but not paid to the shareholders. The current dividend rate is $6 a share and while the yield is not especially attractive at the current selling price, a reasonably good chance for market enhancement of the investment seems to be in prospect during the year 1928.

BAROMETRIC INDICATIONS OF FAIR WEATHER AHEAD

(*Continued from page 500*)

which takes little thought of payment is not generally conducive to thrift. Taxes have increased despite the fact that the national government has reduced income taxes and is planning still further reductions.

"Increase in money, accompanied by increase in credits, raises prices. Interest rates do not increase with the quantity of money, but should follow earning power of capital. When, by inflation, prices rise (with increase in the earning power of capital) interest rates will rise, due to the demand for money. This theory at one time seemed fundamental, yet we have an increased earning power of capital, with low rates of interest, a phenomenon which has not yet been explained by economists. One effect of this on the stock exchange is seen in the fact that stocks which formerly yielded 6% are now yielding only about 4% on the current market price of such stocks."

Farm Prosperity a Big Factor in Coming Business Upturn

By
John A. Topping
Chairman
Republic Iron & Steel Co.

STEEL should have a better year in 1928. This is the view of John A. Topping, chairman of the board of directors of the Republic Iron & Steel Company. Mr. Topping feels that the increased purchasing power of the farmer, and the need of more steel by the railroads will be strong factors in causing a greater production of steel in the coming year. He states his views as follows:

"In any consideration of the business outlook one thing is always obvious: We are still an agricultural country. In spite of our great industrial activity a very large percentage of our people are devoted to the production of crops to feed the nation. Therefore it is apparent that there cannot be any really permanent prosperity which does not include the farmer. He is one of the country's largest buyers as well as producers. He uses considerably more than the average of approximately 800 pounds, per capita, a year, of steel. He uses in the aggregate, more steel than is taken by the great railroads of the country. This may seem amazing but it is a fact. The amount of steel that goes into the farm machinery, the tools, the farm and garden implements, the reinforcement for concrete barns, and silos, and into other uses about the farm exceeds the total utilized in the construction of the country's steel skyscrapers.

"The question then is to be decided largely upon the possibilities for the farmer the coming year. He will have more money in 1928 than he had in 1927, both from increased crops of this year and from better prices on the average. It is estimated that this gain in income over 1927 will amount to something over $600,000,000. Thus he will have considerably more purchasing power than he had last year, and will put into circulation more money.

"As the railroads have not been big buyers of steel products in recent years, they undoubtedly will be larger consumers in 1928, since a larger percentage of cars will need repairing and more equipment will be required.

"Then there is the factor of Henry Ford's re-entry into the market. It may seem foolish to say that the return of one concern to business activity will have a noticeable effect on conditions, but when that one concern is the outstanding one in the country's biggest industry, the apparent weakness of the belief develops into a factor of strength. Ford will buy heavily of many commodities and will be a particularly heavy user of steel. And we must never forget that the condition of the steel business is one of the most important indices of trade which we have.

"The foreign situation is much brighter than it was. While the nations of Europe may not be back to their pre-war conditions of prosperity or business activity, they have been making great strides, and each year has seen an improvement over the previous year. Foreign currencies are fast being stabilized, and Europe is getting into a position where it can again call upon us for much that it previously could not purchase.

"There are, of course, disturbing possibilities. No man can make an accurate forecast of the year at its very beginning. Much less can he make any kind of a prediction unless he holds a mental reservation for the possible factors of disturbance as well as for those which cannot be discerned at all. The year 1928 is a presidential year. How far this may upset any preconceived notions of the business and financial trend cannot be determined—it is simply a guess. But I do not believe that either party is likely to take any steps calculated to upset present indications. The radicals in both parties may combine to obstruct legislation, no matter which party is successful in the presidential election, but I do not believe

(*Please turn to page 566*)

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dividends

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DURING JANUARY, from the 17th to the 23rd, the country generally, and life underwriters in particular, will be concentrating their attention on the Thrift Idea.

Gradually the Thrift Movement, which began in a desultory way, is being expanded as well as controlled and directed by a National Committee with headquarters in New York City at 347 Madison Avenue.

This organization is known as the National Thrift Committee. The Y. M. C. A., the life insurance companies and the banks have been the most active promotors of the movement.

All begin to realize that one of the defects of a growing and prosperous country like the United States is the inclination to spend up to the limit, and very often beyond.

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BOOK REVIEW SECTION of the MAGAZINE of WALL STREET

FINANCE · ECONOMICS · TRAVEL · FICTION · BIOGRAPHY

In the Day's News

THE DAWES PLAN. By George P. Auld. Doubleday, Page & Co.

THE COMPANIONATE MARRIAGE. By Judge Ben B. Lindsey and Wainright Evans. Boni & Liveright.

FROM abroad come newspaper reports of the first snag hit by S. Parker Gilbert, the young American Reparations Agent in Germany, who has admonished the people in the land of his present residence for their lack of governmental frugality. It raises a storm in The Reich and much underground muttering throughout the Republic. Bankers on both sides of the waters put their heads together to confer on international loans from the new angle of the effect of such borrowings on the working of the Dawes Plan. There must be no backsliding, determines the young American "collector" for Germany's international creditors. So he brings his first official pressure to bear—ever so slight, to be true, but in doing so he has made "news" and he has again made many people in Europe and America ask themselves, "what is this Dawes plan that the international bankers nourish so carefully for the economic recovery of Europe?" Probably one of the best qualified economists to answer this question is George P. Auld, formerly Accountant General of the Reparation Commission, who does so most ably in his recent book, which is both a contemporary history of world trade and an account of one of the most important steps in the economic rehabilitation of Europe, prepared from first hand knowledge of the subject.

WHILE at home there is other news current in the press, as an unknown young college student takes as his bride in Companionate Marriage, the daughter of a well known "liberal" publisher. "What is Companionate Marriage?" people are asking. And from the public statements of those notables who are said to "mould public opinion" on such topics, one concludes that Companionate Marriage is about as little known as the Dawes Plan. Here again, however, the topic of the day's news arises from a recently published book—Judge Lindsey's *interesting* stories about nuptial misfits in Denver. To know what Companionate Marriage is, you must read Judge Lindsey's book for it does not lend itself to briefer definition. There is something wrong with the oldest and newest of man's institutions, and something should be done about it. This is what Judge Lindsey concludes from his lifelong professional observations on love and marriage. For many years, he has conducted a sort of a domestic relations clinic where thousands of unhappy young and old people of both sexes marked a path to his door to place their burdens on his sympathetic shoulder. Naturally one who runs such a clinic is apt to feel pretty sure that the world is abnormal and out of joint. But read the book. It is a collection of intimate enough stories to strike home here and there.

The Story of a Fighter

BISMARCK, THE STORY OF A FIGHTER. By Dr. Emil Ludwig. Little, Brown & Co.

HERE is a thoroughly Continental and stirringly tragic story, written perhaps with the intent of presenting the biography of a famous soldier from the viewpoint of a historian, but turning out to be a vivid story of the life of the "grand old man of Germany." With his previous work on Napoleon, the biographer has scored on the count of versatility. Here he scores again as a story-teller. The life of Otto von Bismarck is recounted with extraordinary skill, without sentimentality that sometimes moves patriots to dress heroes in the ill fitting garments of chauvinistic phrases and losing none of the dramatic values of the struggle between the famous soldier and diplomat and his Destiny. And the translation from the German by Eden and Cedar Paul is a suitable companion piece for the story of a noble figure as told by so able a chronicler.

Delving Into the Utilities

OUTLINES OF PUBLIC UTILITY ECONOMICS. By Martin G. Glaeser. The Macmillan Co.

PROFESSOR GLAESER defines his subject and then states his case. Once having established by definition that the public utilities are that wing of private enterprise in which the state has an interest by virtue of monopolies granted and of the public service performed, the question of the

control exercised by the state and the relation of this supervision to public utility economics occupies a prominent place throughout the study. The author has, of course, no points to make or moral to infer. His discussion of public utility economics is purely descriptive; comprehensiveness and a logical outline of the data gathered being the theoretical goal which Professor Glaeser perhaps more nearly attains than any previous observer in this field. That the financial side of public utility economics and the interest of that important third party—the shareholder—has not been overlooked expands the usefulness of the work considerably. It will undoubtedly be the starting point for future scientific excursions into this realm of economics and should be an especially valuable contribution to the financial community, where the volume of public utility financing continues to grow.—A. M. L.

CONTRASTS IN PREFERRED STOCKS

(*Continued from page* 509)

preferred stocks out of working capital but more often by the substitution of new securities for the old.

The stronger companies, naturally, have been able to effect such changes in capitalization more readily than those enjoying a less favorable credit status. Still, even corporations whose credit rating is not of the best have succeeded in accomplishing reforms along the same line. Therefore, the prospective buyer of preferred stocks would do well to ascertain, first, whether a candidate for his investment list is callable and, second, whether said call price, if there be one, is too close to, or above, the market price of the particular shares he contemplates purchasing.

Peculiar circumstances sometimes justify the conclusion that a callable issue which is selling above its redemption price may be an attractive investment nevertheless. It may carry valuable conversion privileges, or there may be good grounds for assuming that the issuing company does not intend to exercise its option to retire the shares. These cases are likely to prove rare, however.

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See Page 527

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(*Continued from page 563*)

that they will be able to affect any positive legislation conforming to their notions of what laws should be placed on the statute books.

"The present proposed radical laws all have their basis on the plight of the farmer. Everybody wants to see the farmer prosperous for the very selfish reason, as I pointed out at the beginning, that there can be no real prosperity so long as the agricultural communities of the country are not flourishing. Anything that can be of real benefit to the farmer will be welcomed, I am sure, by other industry and by those in charge. But attempts on the part of the nation to fix prices for anybody or for any line of business activity cannot succeed. They never have and they never will, because they are opposing natural economic laws. A scheme of governmental operation which has for its basis the pooling of the grain or other farm supply, and holding it for sale to the people at home at higher prices, while it is being sold in the markets of the world at lower prices can never result in anything but economic trouble. Temporary relief may be afforded, but reliefs of this nature are worse than none because the reaction to a chaotic condition is inevitable.

"Close governmental cooperation with the farmer, cooperative effort of the farmers themselves, with a view to making production more nearly conform to the probable demand, are legitimate activities and should result in much good. But the panacea for agricultural troubles has never yet been discovered.

"Unless radicalism should gain the upper hand and uneconomic theories be put into operation I see no reason why we should not look for better industrial conditions in 1928, particularly when it is considered that stocks of iron and steel are subnormal and the buying power of the country normal. To indulge in wild optimism is foolish, but to say that the fundamentals are all right is to give expression to a fact. And where basic conditions are sound there is no cause for worry.

Good Business Year Seen

By
Percy H. Johnston
President
Chemical National Bank

THE conservatism of the banker appears in the statement of Percy H. Johnston, president of the Chemical National Bank, of New York. He anticipates a good business year, based on what he regards as sound fundamental conditions. He sees little to fear in the results of the Presidential election since he feels that each of the two great parties will nominate a man who is not a radical.

Mr. Johnston points out the fact that maximum payments, by Germany, under the Dawes plan will be reached in September, but he feels that the effect of this on international commodity markets is something which cannot be determined at this time.

The possibility of inflation is not regarded by Mr. Johnston as being imminently dangerous. He declares that if there are any indications of it, they can be found only in the speculative stock market, a condition which is likely to follow an easy money market.

The Johnston forecast is brief and succinct. Embodying, as it does, all that he cares to say about the 1928 possibilities at this time, he is careful to insist that there be no printed modifications of it.

His statement follows:

"A consideration of the various indications at present to be discerned leads to the conclusion that generally prosperous conditions in business will continue in 1928.

"Our credit and banking structure is sound. There is marked improvement in the agricultural situation. The opinion is general that the two leading political parties will nominate conservative candidates.

"Commodity prices have become firmer during the past year and continued conservatism in business is evident as reflected in moderate inventories. The unprecedented amount of borrowing through the flotation of securities will unquestionably create a further demand for labor and materials. The enormous purchasing power of the country, due to full employment at high wages, will doubtless continue to stimulate consumption of goods.

"Continued easy money is conducive to speculation in the stock market. Any signs of inflation to be found in the present situation may be looked for in that quarter.

"The Presidential election in 1928 may have a somewhat unsettling influence on business. We have been blessed with four years of sound government in Washington which has been one of the great underlying reasons why the nation has prospered and gone forward in such a splendid way.

"In September, 1928, the payments of Germany under the Dawes plan reach the maximum. How far-reaching the effect of the transfer of reparation payments on international commodity markets may be, no one at present can forecast."

Have You Read "An Investor's Resolution for 1928?" See Page 485.

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MARCH 31, 1924, $500,130.44
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MARCH 31, 1926, $1,208,168.28
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